

USDA Foreign Agricultural Service

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Global Agricultural Information Network

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Korea - Republic of

Livestock and Products Annual

Annual

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Report Highlights:

Korean beef cattle farmers have begun to respond to low prices and government efforts to reduce inventory. As a result of the surge in slaughter numbers, total 2012 beef production is projected to increase by 19.3 percent over the 2011 level, but to drop in 2013. Due to the increase in domestic beef production, beef imports in 2012 are estimated to be down slightly. The Korean swine industry, hardest hit by the 2010/2011 FMD outbreak, has recovered about six months sooner than experts predicted. By June 2012, the number of sows had reached the same level that existed prior to the FMD outbreak. Estimated 2012 pork production is revised up. Pork imports, which reached a record 640 thousand CWE MT in 2012, will be lower in 2012.

Commodities:

Animal Numbers, Cattle

CATTLE

Production

Korean beef cattle farmers have begun to show signs of reducing stocks as calf and cattle prices continue to come down after overcoming the shock from the FMD outbreak that broke out in late 2010. Total beef cattle inventory continued to increase up until June, 2012, as the result of higher insemination numbers that continued through July, 2011, showed up in the market. However, as the calf and cattle prices continued to drop throughout 2011 and even further in 2012, farmers have drastically cut down on semen purchases since August 2011, which will have an impact on overall inventory numbers for the second half of 2012 and into 2013. Semen sales continued to drop by 16.1 percent during the first seven months of 2012, compared to the same period in 2011. Signs of a drop in cattle inventory can also be seen in the increase in farmers' intentions to reduce herd size. In a survey conducted in September 2012 by the Korea Rural Economic Institute (KREI), 7.1 percent of farmers replied that they were planning to reduce herd size, which is at a historically high level. Such downsizing will be reflected in the market in 2013, as calf production drops and ending inventories also drop.

The Korean government and National Agricultural Cooperative Federations continued to carry out price discount promotions to boost consumption of domestic Hanwoo beef in 2012. Although, such efforts increased consumption and somewhat slowed the decline in live cattle prices, prices were still far from recovering to the price level prior to FMD. The main reason for the drop in live cattle prices is due to a surplus in local cattle inventories. The domestic herd size increased 70 percent over the past decade.

Hanwoo Semen Sales (Unit: Thousand 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
2012	88	110	178	161	178	214							

Note: The jump in semen sales in March 2011 is due to a rush to inseminate cows after being banned from moving animal related products, due to the FMD outbreak in Nov., 2010.

Source: GS&J

In order to reduce the total cattle inventory, the Korean government has announced a program to promote the slaughtering of cows that typically do not sell as well. The government is providing a subsidy (30 billion won in 2012) for farmers that slaughter lower-performing cows, such as heifers that have different hair color and tend to receive lower prices, cows that have given birth to calves that are of

low quality, etc. The government's target is to reduce the number of such cows by 100,000 head in 2012 and another 100,000 head in 2013. Such efforts are slowly showing results in the market as the ratio of cow slaughter has gradually increased from 42.7 percent in January 2012 to 52.0 percent in June 2012. This trend in increased slaughter of cows is projected to continue during the second half of 2012 as farmers continue to send lower performing cows to the market in order to receive the subsidy. In addition to the increased slaughter of cows, farmers that raise cows are switching the use of cows for breeding purposes to feeder cattle. A low insemination rate and a smaller number of breeding cows will all contribute in lowering the number of beef cow beginning stocks and calf production in 2013.

A combination of government efforts to reduce the cow numbers and farmers' moves to lower their inventory by reducing the semen purchases will bring down the total ending inventory in 2013. As the continued increase in cattle inventory is showing symptoms of turning to a downward trend, some research institutes, such as the GS&J, are pointing out that it is time for the government to discontinue its policy of reducing total inventory and switch over to a policy that dissuades farmers from getting cold feet over increasing the breeding number and total herd size.

As the total inventory comes down in 2013, overall slaughter numbers are projected to drop as well. Such reduction in total inventory and slaughter should help boost the low calf and cattle prices during the second half of 2013 and mitigate the ratio of cow slaughter as farmers begin to retain their breeding stock.

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
2012	Jan	48,267	42.7	64,780	57.3	113,047	25.0
	Feb	27,740	43.6	35,823	56.4	63,563	14.1
	Mar	31,498	45.4	37,869	54.6	69,367	15.3
	Apr	32,712	47.5	36,165	52.5	68,877	15.2
	May	35,189	50.2	34,977	49.8	70,166	15.5
	Jun	34,938	52.0	32,249	48.0	67,187	14.9
	Total	210,344	46.5	241,863	53.5	452,207	100.0

Source: Quarantine Inspection Agency

The survey of farmers' intentions to maintain or reduce its herd size shows that more farmers are looking at reducing herd size as cattle prices drop. As can be seen from the following table, all of the numbers from the survey conducted in September 2012 are showing that farmers are less inclined to increase herd size or even maintain the same level but are heading more towards a reduction in herd size.

Cattle Industry Survey of Intention											
Farmers' Plan	2010				2011				2012		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Maintain the same level	94.3	95.8	95.5	90.9	95.7	94.8	93.8	95.5	93.2	96.1	91.6
Will increase herd size	5.2	3.9	4.1	8.7	4.3	3.5	2.5	1.6	3.1	2.2	1.3
Will reduce herd size	0.4	0.3	0.5	0.4	0.0	1.7	3.7	2.8	3.8	1.7	7.1

Source: KREI

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	-	
Percent of carcasses that fall under each grade		2011 total	9.2	22.6	30.6	25.5	11.6
		Jan. – Jul., 2012	8.9	20.2	28.9	26.9	14.5

Source: KREI and Korea Institute of Animal Products Quality Evaluation

According to data released by the Korea Rural Economic Institute and the Korea Institute of Animal Products Quality Evaluation, about 37 percent of all cattle that were slaughtered in 2011 resulted in a loss to farmers. This percent increased to over 41 percent during the period running from January-July, 2012, as farmers sent lower quality cows to slaughter plants due to high feed prices and low cattle 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., 2012	935	1,354	3,689	3,155
Feb., 2012	1,134	1,477	3,924	3,379
Mar., 2012	1,176	1,601	3,910	3,460
Apr., 2012	1,192	1,712	3,723	3,424
May, 2012	1,157	1,832	3,726	3,408
Jun., 2012	1,088	1,668	3,655	3,395
Jul., 2012	998	1,604	3,406	3,287

Source: National Agricultural Cooperative Federation, NACF (Exchange rate: US\$1 = 1,131.7 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 the FMD outbreak.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Korea, Republic of	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	3,278	3,278	3,354	3,354		3,338
Dairy Cows Beg. Stocks	278	278	283	283		290
Beef Cows Beg. Stocks	1,147	1,147	1,249	1,249		1,150
Production (Calf Crop)	1,010	1,010	980	1,034		900
Total Imports	0	0	0	0		0
Total Supply	4,288	4,288	4,334	4,388		4,238
Total Exports	0	0	0	0		0
Cow Slaughter	348	348	500	520		400
Calf Slaughter	0	0	0	0		0
Other Slaughter	505	505	560	520		538
Total Slaughter	853	853	1,060	1,040		938
Loss	81	81	10	10		10
Ending Inventories	3,354	3,354	3,264	3,338		3,290
Total Distribution	4,288	4,288	4,334	4,388		4,238
1000 HEAD, PERCENT						

Commodities:

Meat, Beef and Veal

Production:

The Government's policy to reduce the total cattle inventory by enhancing cow slaughter, coupled with high beginning stocks in 2012, allowed the total number of cattle slaughtered during the first half of 2012 to jump by 21.7 percent to 452, 207 head over the same period in 2011. This rush to slaughter more cattle is projected to continue during the second half of 2012 as the government's plan to encourage the slaughtering of cows continues and as farmers try to mitigate the profit loss coming from a continued drop in live cattle prices and higher feed prices. As a result of the surge in slaughter numbers, total 2012 beef production is projected to increase by 19.3 percent over the 2011 level. However, as total inventory drops due to lower calf production in 2013, slaughter numbers will also drop, resulting in lower beef production for 2013. Increased demand coming from discount programs of both the agricultural cooperatives and major hypermarkets will somewhat offset the price drop but may not be sufficient in increasing live cattle prices to get farmers to hold onto their herd.

The increased slaughter is largely due to falling prices coming from high inventory numbers. The initial farmers' fears for the worst, associated with the resumption of Canadian beef imports and the implementation of the KORUS FTA, has not materialized. The actual impact coming from the KORUS FTA will be minimal as the duty will only drop to 37.3 percent from the current 40 percent. High live cattle future market prices for U.S. beef in 2012 seem to be more than enough in offsetting the drop in import duties, as can be seen by the drop in beef imports during the first half of 2012, compared to the same period in 2011.

Consumption:

An abundant supply of domestic Hanwoo beef and continued beef promotional activities by Korean farmer groups and hypermarkets is projected to increase consumption further by over five percent in 2012. The consumption is projected to continue to increase in 2013 at a slower pace until the market starts to raise the price of Hanwoo beef with tighter supplies due to smaller inventories. The shortage in domestic beef supply will be filled by imported beef and to some extent by abundant pork supplies.

Prospects for U.S. beef consumption remain high as the percentage of consumers that have tried U.S. beef continues to go up from 22 percent in 2010 to 52 percent in 2012. Most importers have viewed the television advertisements that USMEF has been carrying on major television programs for two and half months since December 15, 2011. Such promotional activities and consumers' experience in purchasing U.S. beef will enable the consumption of U.S. beef to gradually increase in this market. Thanks to such promotional activity and due to consumers' BSE experience from the previous three cases, the impact of the 4th BSE case found in California on April 24, 2012, had minimal impact on the consumption of U.S. beef. Although, a few stores suspended selling U.S. beef after the news for a short period, most of the major stores continued to sell U.S. beef. Consumers' confidence level on the safety of U.S. beef has increased drastically in the past decade, with over 40 percent of consumers saying that U.S. beef is safe or normal, even right after the 4th BSE case found in California on April 24, 2012.

Change in consumers' perception of safety of U.S. beef

Unit: Percent

Survey period	U.S. beef is unsafe	U.S. beef is safe	Normal
2003	87.4	4.2	8.4
2008	85.5	1.4	13.0
2012	57.5	7.1	35.4

The surveys were conducted in January 2004 (right after the first BSE case), January 2008 (prior to resumption of U.S. beef imports) and April 2012 (After the BSE case in California).

Source: KREI

During the survey conducted in April, 2012, after the California BSE case was reported, 69 percent of the consumers surveyed replied that they would reduce the consumption of U.S. beef, whereas, 30 percent of those surveyed replied that their consumption would not change and only 1 percent replied that they would increase the consumption of U.S. beef. As for the product that they would substitute in place of U.S. beef, 28 percent replied that they would purchase Australian beef.

Consumers' intention for substituting other meat when reducing consumption of U.S. beef

Substitute product	Australian beef	Hanwoo beef	Pork	Chicken	Duck	Only reduce U.S. beef consumption
Percentage	28	24	20	8	8	12

Source: KREI

The price gap between imported beef and Hanwoo beef is bigger at restaurants than at retail stores. Such a huge price gap between Hanwoo beef and imported beef has encouraged consumers to choose more imported beef than Hanwoo beef when dining out.

Consumers' choice of beef when dining out

Unit: Percent

Description	Only eat Hanwoo	Usually eat Hanwoo	Usually eat imported beef	Only eat imported beef	No reply	Total
Percent	16.2	44.2	38.5	0.9	0.2	100.0

Source: GS&J

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., 2009	32,614	22,106	6,300	8,533
Feb., 2009	32,109	20,484	6,263	8,503
Mar., 2009	32,434	20,345	6,167	9,041
Apr., 2009	31,732	20,233	6,167	10,064
May, 2009	33,354	19,735	6,167	8,991
Jun., 2009	33,754	14,960	6,167	9,146
Jul., 2009	34,497	17,781	6,167	9,461
Aug., 2009	35,620	18,389	6,167	9,831
Sept., 2009	36,685	18,836	6,250	9,565
Oct., 2009	38,181	21,386	6,333	8,944
Nov., 2009	38,393	20,967	6,333	8,444
Dec., 2009	37,902	18,511	6,333	8,704
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
Feb.,	28,010	19,330	6,125	8,315

2012				
Mar., 2012	25,455	21,710	6,125	8,160
Apr., 2012	26,940	20,290	6,090	7,950
May, 2012	27,700	19,765	6,050	8,395
Jun., 2012	28,515	20,520	6,050	9,430
Jul., 2012	30,910	19,870	6,050	9,400

Source: National Agricultural Cooperative Federation, NACF (Exchange rate: US\$1 = 1,131.70 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
Feb., 2012	20,065	12,060	11,335	8,570	9,355	7,205
Mar., 2012	20,165	12,000	10,905	8,480	9,205	7,195
Apr., 2012	20,125	12,000	11,695	8,455	8,775	7,150
May, 2012	20,460	12,000	11,610	8,420	8,125	7,150
Jun., 2012	20,570	12,000	12,365	8,485	8,785	7,195
Jul., 2012	20,630	12,000	13,700	8,510	8,585	7,150

Source: National Agricultural Cooperative Federation, NACF (Exchange rate: US\$1 = 1,131.7 won)

Trade:

Due to the increase in domestic beef production in 2012, beef imports for this year have dropped slightly. As earlier explained, the impact on beef imports coming from the KORUS FTA will be minimal. The resumption of Canadian beef imports has not had a major impact, given the reluctance of consumers to purchase over fear of BSE. However, as the domestic beef production drops in 2013 due to a low cattle inventory, beef imports are projected to increase to make up for the gap in beef supply.

The impact of the 4th BSE case found in California on April 24, 2012, had minimal impact on the import of U.S. beef. Although, a few stores suspended selling U.S. beef for a short period following news of the event, most of the major stores continued to sell U.S. beef.

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

Country	Annual 2011		Jan. – Jun., 2011		Jan. – Jun., 2012	
	Value	Volume	Value	Volume	Value	Volume
Australia	770,061	152,739	368,136	72,645	301,178	61,915
United States	599,145	115,342	283,592	54,262	238,340	47,121
New Zealand	137,613	34,357	76,549	18,520	51,676	13,843
Mexico	16,449	5,236	5,976	2,163	5,949	2,014
Canada	0	0	0	0	2,476	452
Others	423	130	0	0	55	172
Total	1,523,691	307,804	734,253	147,590	599,674	125,517

Source: KITA

Product Weight Equivalent basis

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

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal Korea, Republic of	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	853	853	1,060	1,040		938
Beginning Stocks	49	49	80	80		96
Production	280	280	340	334		301
Total Imports	431	431	390	385		415
Total Supply	760	760	810	799		812
Total Exports	3	3	3	1		1
Human Dom. Consumption	677	677	702	702		730
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	677	677	702	702		730
Ending Stocks	80	80	105	96		81
Total Distribution	760	760	810	799		812

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

Commodities:

Animal Numbers, Swine

Production:

The swine and pork industry was hit hardest by the 2010/2011 FMD outbreaks with over 3.4 million head (or one-third of the total inventory) culled; but has recovered about six months sooner than what most experts predicted. By June 1, 2012, the number of sows had reached the same level that existed prior to the FMD outbreak. Such rapid recovery was made possible through government issuance of a tariff rate quota (TRQ) in 2011 of 31,000 head for breeding stock and another 5,000 head for the first half of 2012. This policy assisted the swine industry in repopulating herds. In addition to the TRQ, about 30 percent of farmers are reportedly using non-purebred, second filial generation (F2) sows for reproduction. Although it has helped to shorten the time taken to repopulate the swine inventory, the downside of this move is that the F2 sows tend to produce lower quality piglets. F2 sow productivity is generally 85 percent of that of F1 sows. As can be seen from the following table, the sow inventory reached about 99.3 percent of the level prior to the FMD outbreak.

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

Age	Dec. 1, 2010 2/	Mar. 1, 2011	June 1, 2011	Sept. 1, 2011	Dec., 1, 2011	Mar., 1 2012	Jun.,1 2012
6-8 months	108	85	115	117	119	144	144
Over 8 months	911	688	724	756	821	862	890
Sows 1/	976	732	793	835	903	950	969

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

2/ This sow number, based on Dec. 1, does not match with PS&D sow numbers, which are based on Dec. 31.

The number of piglets has been adjusted to reflect the reduced mortality rate among piglets. About one-third of the pig farms were hit by FMD and these farms were required to fully disinfect their facilities prior to repopulating. The disinfection process has allowed for the Maximum Sustainable Yield (MSY) rate to improve as well as lower the mortality rate of piglets. The increased piglet production in 2012 reflects the increase in MSY, the lower mortality rate, and also an ongoing increase in sow numbers of over seven percent during the first half of 2012. However, the use of F2 sows that are less productive than F1 sows will result in a drop in piglet production in 2013. Also, once the swine farmers have replenished the herd size, they are expected to focus on improving the quality of their swine and gradually replace the F2 sows with F1 sows.

The following table reflects the intention of swine farmers to continue to increase herd size into the second half of 2012. This should help replenish the ending inventory to 9.7 million head in 2012. However, high inventory numbers in 2013 are projected to lower swine prices and with record high feed corn prices, the surge in inventory numbers is projected to level off in 2013. Also, the F2

sows with their lower productivity will have an impact on overall piglet production in 2013, resulting in a drop in piglet numbers.

Index of Farmers' Intention to Increase Herd Size

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

Source: KREI

The above index showing swine farmers' plans for their herd size for each month was derived using the total swine inventory in December 2011 as 100.

The survey was conducted during the period February 6~15, 2012.

Other factors that will have a dampening effect on further increases in swine populations in 2013 are as follows:

1. The provincial government's designation of areas restricted for raising livestock. According to the recommendation made to provincial governments by the Ministry of Environment; swine farms cannot be located within 500 meters of residential areas. The farms that were in place prior to the law were exempt, but when repopulating, the farms will be subject to the minimum distance law.
2. The Korean government has increased minimum requirements for barn space per swine in order to prevent intensive breeding of swine and the spread of livestock diseases. This will allow for fewer animals to be housed in the existing barn space. In order to raise the same number of animals, producers will have to further invest in barn construction. The minimum space for sows is set at 1.4 square meters and 0.8 square meters for porkers.
3. Beginning on January 1, 2012, disposal of livestock manure in the open sea was prohibited, increasing the cost of manure disposal.
4. Large sized farms (50 heads of cattle or 1,000 head of swine) must pay 50 percent of the cost for FMD vaccination. The government will continue to pay for the smaller sized farms. However, aside from the cost of vaccination, farms will be subject to a penalty if over 60 percent of their herd does not have an antibody against FMD. According to a survey conducted on a sample of farms, only half of the farms met this requirement
5. Korea also plans to run a trial traceability program for swine and pork in October, 2012. The farms subject to the trial program will have to be equipped to meet the requirements of the traceability system, which will likely be expanded and in the future eventually apply to all swine farms.
6. As of the end of 2012, all breeding farms, semen collection farms and large livestock farms (9,000 farms) will be required to receive a business permit. Also, small sized farms, regardless of size, will also have to register their operation and receive mandatory training.

The early recovery of the swine inventory has resulted in higher slaughter numbers for 2012. The number of slaughters for the first half of 2012 jumped by 23 percent over the same period in 2011 and this trend is expected to continue into the second half of 2012, resulting in higher slaughter numbers than previously projected. A high level of slaughter is projected to continue in 2013 as swine farms adjust to prior FMD levels.

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	
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
2012	Jan	956,645	N/A	79.7
	Feb	1,099,850		96.6
	Mar	1,181,805		88.9
	Apr	1,043,265		85.0
	May	1,146,628		98.0
	Jun	1,049,726		89.7
		Total		6,477,919

Source: QIA

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	4,451
March	5,031	3,989	6,565	4,401
April	4,955	4,325	5,786	4,309
May	4,245	4,272	7,200	4,873
June	4,531	4,647	7,675	4,971
July	4,826	4,663	6,572	4,600
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 = 1,131.70won)

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine Korea, Republic of	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	8,449	8,449	8,171	8,171		9,700
Sow Beginning Stocks	920	920	903	903		975
Production (Pig Crop)	13,308	13,308	13,900	15,856		15,070
Total Imports	16	7	5	10		10
Total Supply	21,773	21,764	22,076	24,037		24,780
Total Exports	0	0	0	0		0
Sow Slaughter	0	0	0	0		0
Other Slaughter	10,817	10,817	12,942	13,787		14,500
Total Slaughter	10,817	10,817	12,942	13,787		14,500
Loss	2,785	2,776	500	550		550
Ending Inventories	8,171	8,171	8,634	9,700		9,730
Total Distribution	21,773	21,764	22,076	24,037		24,780
1000 HEAD, PERCENT						

Commodities:

Meat, Swine

Production:

The pork production forecasted in 2012 has been revised upward to reflect the rapid recovery in swine inventory as well as increased average carcass weight from 114 kg. in 2011 to 115 kg. for the first six months of 2012. If the Korean swine industry returns to pre-FMD levels before the end of 2012, and young piglets that were replenished in the second half of 2012 come into the market in 2013, domestic pork production will increase for the year.

Consumption:

Pork consumption in 2012 has been adjusted to reflect the slight increase in consumption. The increased supply of domestic pork, coupled with low pork prices, has encouraged greater domestic pork consumption. An increased supply of domestic pork would have driven pork consumption even higher but low-priced Hanwoo beef and massive promotion of Hanwoo in support of Hanwoo farms limited pork from increasing any further. According to a survey conducted by KREI in June, 2012, a full 89 percent of consumers surveyed replied that domestic pork prices were too expensive. Such survey results are an indication that, unless the pork prices come down further, there will be constraints on boosting further consumption. As more swine comes into the market in 2013, the price is projected to come down further and should help consumption of pork pick up.

Consumers' preference for substitute meat for domestic pork

Unit: Percent

Survey Period	Chicken	Duck	Hanwoo beef	Imported pork	Imported beef	Other
Aug., 2011	36.0	16.0	17.9	11.9	15.1	3.1
Jun., 2012	40.3	26.8	12.7	9.3	6.8	4.1

Source: KREI

The following table shows that the average household has increased the purchase amount of pork products in 2012 over 2011, when pork prices were at a record high, but is still short of the consumption level in 2010.

Average household pork purchase amount per 4 weeks

Unit: Kilogram

	2009	2010	2011	2012
Single ribbed belly	1.37	1.49	1.41	1.44
Pork ribs	1.93	2.04	1.96	2.11
Collar butt	1.14	1.18	1.09	1.05
Picnic / ham	2.39	2.49	2.18	2.20
Loin / tenderloin	1.53	1.52	1.24	1.23
Average	2.00	2.18	1.94	1.99

Source: Kantar World panel Korea/ KREI

Note: The data is based on the purchase made up to the second week of July each year.

Trade:

During the first half of 2012, the Korean government announced a zero duty tariff-rate-quota (TRQ) for 70,000 MT of pork imports for the year. Of that amount, 50,000 MT were allocated for single-rib bellies and 20,000 MT for other cuts. The Korean government announced an additional TRQ of 50,000 MT of single-rib bellies for the second half of 2012. However, this is less than half of the 260,000 MT of TRQ that was announced for imports in 2011. Imports during the first half of 2012 dropped by 14 percent over the same period in 2011 due to the lower level of TRQ allotted in addition to the increased supply of domestic pork. A continued increase in domestic pork supply will keep the import level in 2013 at the same level as 2012.

USMEF has begun to aggressively promoting U.S. pork through radio announcements from May 1 to August 31, 2012. It is too early to see actual results from the promotion but should help increase consumers' awareness of U.S. pork.

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

Country	Annual 2011		Jan. - Jun., 2011		Jan. - Jun., 2012	
	Value	Volume	Value	Volume	Value	Volume
	\$000	MT	\$000	MT	\$000	MT
United States	472,812	152,152	263,622	87,316	222,110	73,094
Canada	208,867	80,237	111,605	43,967	77,709	31,654
Chile	116,363	40,496	55,515	20,403	65,653	18,704
Austria	79,409	22,358	44,616	12,935	33,154	8,333
France	63,146	17,882	35,518	10,525	31,368	8,009
Netherlands	113,788	20,799	74,632	10,889	36,141	8,565
Spain	73,666	31,331	34,896	15,193	31,051	13,415
Belgium	53,982	15,774	30,125	9,301	25,880	6,412
Germany	106,486	31,429	27,421	9,287	89,422	22,867
Denmark	75,362	27,956	31,033	12,086	21,164	8,004
Hungary	32,038	10,436	17,038	5,831	10,411	3,058

Poland	41,106	17,263	15,779	6,968	32,138	10,527
Mexico	33,522	10,180	14,818	4,732	15,006	4,445
Others	30,729	13,669	17,964	7,486	11,067	4,618
Total	1,501,276	491,962	774,582	256,919	702,274	221,705

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 Korea, Republic of	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	10,817	10,817	12,942	13,787		14,500
Beginning Stocks	60	60	50	50		73
Production	837	837	982	1,067		1,120
Total Imports	640	640	550	550		552
Total Supply	1,537	1,537	1,582	1,667		1,745
Total Exports	0	0	0	0		0
Human Dom. Consumption	1,487	1,487	1,530	1,594		1,670
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	1,487	1,487	1,530	1,594		1,670
Ending Stocks	50	50	52	73		75
Total Distribution	1,537	1,537	1,582	1,667		1,745

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