

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Korea - Republic of

Poultry and Products Annual

2013 Annual

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Report Highlights:

Chicken production and overall imports are both expected to decrease slightly in 2013 to 690,000 tons and 125,000 tons respectively, while 2014 production and imports from the United States are expected to increase to 706,000 tons and 50,000 tons respectively due to an increased demand during the World Cup soccer tournament and a reduced duty under the KORUS FTA. As well, consumption is expected to go up 2 percent to 811,000 tons in 2014. A small export market of mostly spent layer hens to SE Asia and Hong Kong is expected to increase slightly to 27,000 tons in 2014 up from 25,000 tons.

Executive Summary:

Local Situation

In 2014, chicken production is expected to increase slightly to 706,000 tons as a result of increased production capacity by new and existing chicken producers and an expected uptick in demand during the World Cup soccer tournament in August. Additionally, competitive chicken prices compared to other protein sources such as beef and pork, will positively affect total supply in 2014.

In 2014, chicken imports from the United States, mainly frozen bone-in leg products, are expected to increase slightly to 50,000 tons as a result of the 14 percent FTA duty rate and an expected decrease in international grain prices.

In 2013, because of a reduced chicken inventory and slaughtered broilers, chicken production is forecast to decrease slightly to 0.9 percent to 690,000 tons. Although favorable tariff cuts under the KORUS FTA and the Korea – EU FTA, chicken imports are expected to decrease slightly to 125,000 tons due to slow demand resulting from an economic downturn since 2011.

Fear of an excessive chicken supply caused local industry to reduce its slaughtering broilers accordingly. Slaughtered broilers during the first 5 months (January – June period) of 2013 decreased by 3.6 percent compared to the same period in 2012. As a result, total chicken production is expected to decrease slightly to 690,000 tons in 2013.

Korea's Monthly Slaughtering Figure for Broilers (Unit: 1,000 birds)						
	January	February	March	April	May	Total
2013	60,328	47,750	56,849	62,515	69,569	297,011
2012	58,874	55,965	58,751	60,929	73,464	307,983
Change (%)	2.5	-14.7	-3.2	2.6	-5.3	-3.6

Source: Korea Chicken Council (KCC)

Korea's chicken production capacity and broiler inventory have increased significantly since 2010; imports of grand parental stock (GPS) resulted in increased inventory of parental stock (PS) which led to increased chicken production in 2012.

Korea's Grand Parental Stock Imports by Year (Unit: Bird)	
Year	Number of Imported GPS
2013	167,500
2012	232,500
2011	199,200
2010	144,100

Source: Korea Poultry Association (KPA)

Parental Stock (PS) reduction

Because of excessive broiler inventory since 2010, the Ministry of Agriculture, Food and Rural Affairs (MAFRA) and the Korean chicken industry implemented a plan to reduce 1 million parental stock broilers during April and May 2013 in order to prevent price fluctuations due to oversupply. Industry culled 440,000 PS broilers which helped to prevent price drops at the farm gate. However, the remainder of PS (660,000 birds) were not culled due to disagreement between pertinent producer groups.

Government Veterinarian to inspect broiler slaughtering beginning July 2014

The ROKG will implement a new slaughter inspection system beginning July 2014. The new system requires chicken producers to have inspection of slaughtering broilers by a government veterinarian in response to the revision of the Livestock Sanitation Management Act, which passed in the National Assembly on June 27, 2013.

The current slaughter inspection system in place since 1978 requires a city or provincial veterinarian officer to inspect the slaughtering process for cattle and swine, while company veterinarians inspect ducks and chickens.

Consumer groups and the National Assembly raised the issue of fairness and objectivity between the two differing systems. The Ministry of Food and Drugs Safety (MFDS) plans to implement the new system for companies with a daily slaughter capacity over 80,000 birds from July 1, 2014, and from January 1, 2015 for a slaughter capacity of 50,000 to 80,000 birds per day, and from January 1, 2016 for less than 50,000 birds per day.

Consumption

In 2014, chicken consumption is expected to increase slightly up 2 percent to 811,000 tons due to an expected surge in demand during the World Cup soccer tournament in August 2014 and price competitiveness of chicken products compared to other livestock products. Additionally, an increase in the number of single person households and working couples, the cut chicken market is expected to increase due to sales of ready-to-cook (RTC) chicken products and small packaged chicken products for take-out.

Due to the economic recession and substitute demand for other livestock products, domestic chicken consumption is expected to decrease slightly in 2013. In particular, reduced pork prices caused some consumers to opt for pork over chicken. 2013 per capita consumption is forecast at 11.9 kilograms due to reduced consumption by households and the restaurant sector during the first half of 2013.

Among chicken consumption related events, international sporting events have a big influence over chicken consumption in Korea. According to a survey, during the last World Cup event in 2010, chicken consumption increased by 10 percent in that period. Therefore, it is expected that chicken consumption during the 2014 World Cup will increase accordingly.

Imported chicken meat is used in the family restaurant sector and chicken franchise chain stores due to its price competitiveness. In particular, prices of U.S. and Brazilian chicken are about 30-40 percent cheaper per kilogram than domestic chicken and their share reached 20 percent of total chicken supply in 2012.

Imports & Competitors

It is forecast that chicken imports will recover to the 2012 level of 130,000 tons in 2014 helped by the extra demand during the World Cup period and a steady demand for chicken products among young consumers. In 2014, Imports from the United States, mainly frozen bone-in leg products, are expected to increase slightly as a result of the 14 percent FTA duty rate and an expected decrease in the price of international grains.

In 2013, Korea's chicken imports decreased by 5.7 percent to 61,994 tons during the first half (January 1 – June 30) of 2013. In particular, imports from the U.S. decreased to 23,445 tons, down 28.5 percent from the previous year, while imports from Brazil increased to 28,094 tons, up 15.5 percent from the previous year due to its reduced import price. Therefore, chicken imports are expected to decrease to 125,000 tons in 2013 as a result of reduced production in the U.S. and reduced demand for chicken products due to severe competition from reduced red meat prices.

Although the price of Brazilian de-boned chicken leg imports are 62 percent (1,062 Korean won / Kg) higher than U.S. bone-in legs during the first half of 2013 (January – June period), Korean traders prefer to use Brazilian de-boned chickens as it does not require extra labor costs for the deboning process.

Price Comparison (Unit: Korean Won per Kilogram) 4/				
Cuts	Domestic 1/	Imports 2/		
		U.S.	Brazil 3/	Denmark
Leg	6,257	1,713	2,775	2,686
Wing	7,368	-	3,193	2,898
Breast	7,086	6,167	2,990	-

1/ Chilled products, average retail price for January 1 – June 30, 2013 period
2/ Average CIF prices between January 1 through June 30, 2013
3/ Frozen Trimmed bone-less products (Mostly)
4/ Average exchange rate (1\$=1103.7 Korean won) for January – June 2013 period
Source: Korea Chicken Council & Korea Customs Service

Due to implementation of FTAs with the U.S. since March 2012 and with the EU since July 2011, import prices for Danish chicken and U.S. chicken are expected to reduce as a result of annual tariff reductions, while Brazilian chicken is expected to gradually lose its price competitiveness.

Export

In 2014, exports will increase slightly to 27,000 tons because of continuous demand for spent layer hens in Vietnam and Hong Kong. However, chicken exports between January and June 2013 showed a 35 percent increase compared to the same period of the previous year. Therefore, the chicken exports are forecast at 25,000 tons in 2013

Korea exports frozen chicken meat mainly to Vietnam and Hong Kong, while "Samgyetang" (chicken ginseng soup) is exported primarily to Japan and Taiwan. The Southeast Asian region, particularly Vietnam, prefers to consume matured chicken, making spent layer hens very popular due to its quality and price competitiveness.

Distribution

It is estimated that more than 90 percent of local chicken farms are contracted with vertically integrated chicken producers. According to a survey done by Korea Agro-Fisheries and Food Trade Corporation (aT) in 2011, Korean chickens are distributed as whole chicken (61 percent), de-boned chicken meat (21 percent) and chicken cuts (18 percent). Due to consumers' preference for a specific weight (1.5 kg), most local chickens are distributed and consumed as whole fresh chicken.

However, industry forecasts that whole chicken oriented consumption pattern by households will shift to chicken cuts or de-boned chicken meat oriented consumption patterns gradually due to the increasing number of single households and changed diet patterns by young consumers.

Tariff Phase-Out Schedule under KORUS FTA

Korea's 20 percent tariff on imports in the dominant frozen leg quarter category will be phased out by 2021, while tariffs on frozen breasts and wings will be eliminated by 2023. The 18-percent tariff on frozen turkey cuts will be eliminated by 2018.

HSK 10	Description	Base Rate	Current Rate	2014	2015	2016
0207141010	Frozen Chicken Legs	20%	16%	14%	12%	10%
0207141020	Frozen Chicken Breast	20%	16.6%	15%	13.3%	11.6%
0207141030	Frozen Chicken Wing	20%	16.6%	15%	13.3%	11.6%
0207141090	Other Frozen Chicken	20%	16%	14%	12%	10%
207271000	Frozen Turkey Cuts	18%	12.8%	10.2%	7.7%	5.1%

Commodities:

Poultry, Meat, Broiler

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Korea, Republic of	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	81	82	83	80		82
Slaughter (Reference)	798	788	814	780		795
Beginning Stocks	15	15	20	17		12
Production	726	696	735	690		706
Total Imports	130	130	130	125		130
Total Supply	871	841	885	832		848
Total Exports	21	21	25	25		27
Human Consumption	830	803	846	795		811
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	830	803	846	795		811
Total Use	851	824	871	820		838
Ending Stocks	20	17	14	12		10
Total Distribution	871	841	885	832		848

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG

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

Approved Suppliers	Items
United Kingdom, New Zealand, Denmark, France, Spain, Germany, Netherlands, Canada, Hungary, Poland, Sweden, Philippines(only for pet bird), Japan(only for pet bird) and United States	Poultry birds (include pet or wild bird), hatching eggs, day old chicks
United Kingdom, France, Chile, Denmark, Sweden, Brazil, Netherlands Philippines(only for broiler),, Hungary, Canada, Poland and United States	Fresh, chilled, or frozen poultry meat
United Kingdom, France, Chile, Denmark, Sweden, Brazil, United States, Thailand, Netherlands, Hungary, China, Poland and Canada	Heat-treated poultry meat

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

Frozen Chicken Cut Imports by Country

Country	CY 2012		CY 2013 (January- June)	
	Volume (MT)	Value (US\$1,000)	Volume (MT)	Value (US\$1,000)
<Leg>				
U.S.	53,560	87,770	23,281	36,140

Brazil	50,406	126,926	26,412	66,416
Denmark	172	304	154	374
Chile	352	983	22	62
Hungary	0	0	0	0
Sub Total	104,490	215,983	49,869	102,992
<Wing>				
U.S.	0	1	0	0
Brazil	678	1,891	262	759
Denmark	1,812	4,697	1,337	3,510
Hungary	234	459	93	211
Sub Total	2,724	7,048	1,692	4,480
<Breast>				
U.S.	475	1,689	74	415
Brazil	5,812	16,296	1,407	3,813
Denmark	0	4	0	0
Sub Total	6,287	17,989	1,481	4,228
<Total by Country>				
U.S.	54,035	89,460	23,355	36,555
Brazil	56,896	145,113	28,081	70,988
Denmark	1,984	5,005	1,491	3,884
Chile	352	983	22	62
Hungary	234	459	93	211
Total	113,501	241,020	53,042	111,700

Source: Korea Customs Service (KCS)

Processed Chicken Imports by Country

Country	CY 2012		CY 2013 (January- June)	
	Volume (MT)	Value (US\$1,000)	Volume (MT)	Value (US\$1,000)
China	2,379	8,625	1,262	4,567
Thailand	12,259	46,836	6,903	27,194
United States	187	939	90	422
Other	0	1	0	7
Total	14,825	56,401	8,255	32,190

Source: Korea Customs Service (KCS)

PRODUCTION AND CONSUMPTION

Korea: Broiler Inventories 1/
(Unit: 1,000 birds)

Year	Farms	Birds
2004	2,237	68,526
2005	2,678	88,137
2006	2,016	84,279
2007	2,028	87,359
2008	1,807	77,853
2009	2,249	99,983
2010	2,238	101,690
2011	2,266	110,122
2012	2,058	97,750
2013	1,972	95,898

1/ June Inventories

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

Korea: Production Costs of Broilers 1/
(Korean Won per Kilogram in Live Weight)

Year	Operating Cost	Production Cost	Farm Price
2004	1,026	1,085	1,415
2005	953	1,008	1,440
2006	954	1,001	1,195
2007	881	930	1,118
2008	1,049	1,097	1,567
2009	1,255	1,311	1,936
2010	1,292	1,342	1,913
2011	1,317	1,377	1,858
2012	1,299	1,361	1,693

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

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

Item	CY 2011		CY 2012	
	Average Cost	Component Ratio (%)	Average Cost	Component Ratio (%)
Feed	830	63	845	65
Chicks	300	23	255	20
Family Labor	49	4	55	4
Vet & Medicine	32	2	30	2
Water, Power, etc.	55	4	60	5
Other	50	4	53	4
Total	1,316	100	1,298	100
By Product	1	-	1	-
Cost Total	1,317	-	1,299	-

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

Korea: Per Capita Consumption of Livestock Products
(Unit: Kilogram, boneless basis)

Year	Total Meat	Beef	Pork	Chicken	Egg
2003	33.4	8.1	17.4	7.9	10.5
2004	31.3	6.8	17.9	6.6	10.6
2005	31.7	6.7	17.4	7.6	10.8
2006	33.5	6.8	18.1	8.6	11.2
2007	35.7	7.6	19.2	8.9	11.3
2008	35.6	7.5	19.1	9.0	11.2
2009	36.8	8.1	19.1	9.6	11.9
2010	38.7	8.8	19.2	10.7	11.8
2011	40.4	10.2	18.8	11.4	11.6
2012	41.8	9.8	20.3	11.7	12.0
2013 1/	42.5	10.3	20.5	12.0	12.2

1/ Preliminary forecast by the Korea Rural Economic Institute

Source: Ministry of Agriculture & Forestry

PRICE TABLES

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

Year	2009	2010	2011	2012	2013 1/
Farm Price	1,936	1,913	1,858	1,693	1,793
Wholesale Price	3,431	3,529	3,468	3,255	3,356
Consumer Price	5,335	5,708	6,050	5,755	5,851

1/ Average price, January through June 2013

Source: National Agricultural Cooperative Federation

Korea: Farm Price for Chicken Meat

Commodity	Chicken Meat, Farm Price Unit: Korean Won per Kilogram				
	Year	2011	2012	2013	% Change comparing to previous year
Month					
Jan.	1,874	1,466	1,446		-1
Feb.	2,128	1,759	1,953		11
Mar.	2,414	2,223	2,123		-4
Apr.	2,478	1,759	1,679		-5
May	1,544	1,562	1,730		11
Jun.	1,389	1,668	1,829		10
Jul.	1,910	1,757	-		-9
Aug.	1,870	1,829	-		-2
Sep.	1,645	1,538	-		-7
Oct.	1,770	1,640	-		-8
Nov.	1,685	1,645	-		-2
Dec.	1,586	1,466	-		-8

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

Korea: Wholesale Price for Chicken Meat

Commodity	Chicken Meat, Wholesale Price Unit: Korean Won per Kilogram				
	Year	2011	2012	2013	% Change comparing to previous year
Month					
Jan.	3,444	2,973	3,015	1	
Feb.	3,764	3,288	3,510	7	
Mar.	4,092	3,888	3,800	-2	
Apr.	4,127	3,410	3,251	-5	
May	3,268	3,124	3,187	2	
Jun.	3,061	3,185	3,375	6	
Jul.	3,425	3,326	-	-3	
Aug.	3,542	3,432	-	-3	
Sep.	3,229	2,989	-	-8	
Oct.	3,334	3,138	-	-6	
Nov.	3,225	3,229	-	0	
Dec.	3,108	3,076	-	-1	

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

Korea: Consumer Price for Chicken Meat

Commodity	Chicken Meat, Consumer Price Unit: Korean Won per Kilogram				
	Year	2011	2012	2013	% Change comparing to previous year
Month					
Jan.	5,518	5,160	5,646	9	
Feb.	6,612	5,606	5,818	4	
Mar.	6,983	6,317	6,358	1	
Apr.	6,911	5,949	6,065	2	
May	6,004	5,480	5,362	-2	
Jun.	5,242	5,502	5,855	6	
Jul.	5,972	6,024	-	1	
Aug.	6,314	6,182	-	-2	
Sep.	5,890	5,462	-	-8	
Oct.	5,751	5,922	-	3	
Nov.	6,046	5,893	-	-3	
Dec.	5,357	5,559	-	4	

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

Korea: Monthly Average Foreign Exchange Rate
(Unit: Korean Won / 1U\$)

Month	2011	2012	2013
Jan.	1120.07	1145.85	1065.35
Feb.	1118.14	1123.35	1086.68
Mar.	1122.45	1125.90	1102.20
Apr.	1086.84	1135.55	1121.83
May	1083.54	1154.27	1110.67
Jun.	1081.27	1165.51	1135.21
Jul.	1059.50	1143.36	-
Aug.	1073.17	1131.69	-
Sep.	1118.61	1124.78	-
Oct.	1155.45	1106.93	-
Nov.	1132.31	1087.52	-
Dec.	1147.45	1076.97	-

Source: Industrial Bank of Korea

TRADE MATRIX

Korea: Import Matrix for Chicken Meat 1/

Import Trade Matrix								
Country: Korea								
Commodity: Chicken Meat			Unit: MT & U\$1,000, RTC Basis					
Imports for	CY 2011		CY 2012		Jan.-Jun. 2012		Jan.-Jun. 2013	
	Vol	Val	Vol	Val	Vol	Val	Vol	Val
U.S.	86,395	127,318	54,452	90,762	32,784	56,168	23,445	36,977
Others								
Thailand	11,338	43,272	12,259	46,836	5,535	21,110	6,903	27,195
P.R.C.	3,255	10,593	2,379	8,625	1,186	4,257	1,262	4,567
Canada	0	0	0	0	0	0	0	0
Denmark	3,871	8,022	3,411	6,889	1,405	2,650	2,109	4,580
France	0	0	0	0	0	0	0	0
U.K.	0	0	0	0	0	0	0	0
Chile	574	1,853	352	983	176	495	22	62
Japan	0	0	0	0	0	0	0	0
Brazil	24,904	76,433	56,919	145,147	24,326	64,441	28,094	71,038
Australia	0	0	0	0	0	0	0	0
Other	613	999	617	694	350	428	159	286
Total for Others	44,555	141,172	75,937	209,174	32,978	93,381	38,549	107,728
Grand Total	130,950	268,490	130,389	299,936	65,762	149,549	61,994	144,705

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

Source: Korea Customs Service

Korea: Export Matrix for Chicken Meat 1/

Export Trade Matrix								
Country: Korea								
Commodity: Chicken Meat				Unit: MT & U\$1,000, RTC Basis				
Imports for	CY 2011		CY 2012		Jan.-Jun. 2012		Jan.-Jun. 2013	
	Vol	Val	Vol	Val	Vol	Val	Vol	Val
U.S.	0	0			0	0		
Others								
Hong Kong	290	729	2,510	4,196	717	1,487	2,918	3,975
Japan	2,272	12,237	1,984	10,480	1,144	6,046	545	2,454
P.R.C.	0	0	14	66	14	63	0	0
Taiwan	415	1,665	293	1205	131	549	157	649
Thailand	25	7	0	0	0	0	49	32
Vietnam	12,254	18,356	15,973	19,298	7,988	11,520	9,855	10,393
Iraq	0	0	0	0	0	0	0	0
Turkey	0	0	0	0	0	0	0	0
Australia	31	115	17	81	7	42	0	0
Russia	0	0	0	0	0	0	0	0
Other	59	323	75	432	36	234	30	168
Total for Others	15,346	33,432	20,866	35,758	10,037	19,941	13,554	17,671
Grand Total	15,346	33,432	20,866	35,758	10,037	19,941	13,554	17,671

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

Source: Korea Customs Service