

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Total Korean beef cattle inventory continues to gradually drop and as a result of the drop in slaughter numbers, total 2014 beef production is projected to decrease by 7.3 percent over the 2013 level. U.S. beef imports are projected to rebound in 2014 as Korea increases its imports to make up for the drop in domestic beef production. Efforts by Korean swine producers to reduce sow numbers in 2013 bore some results in keeping the total inventory from rising further and will definitely bring down the inventory in 2014. As the effect from lower sow numbers impacts the piglet production in 2014 and with higher losses of piglets due to PED, total slaughter numbers will drop and will result in decreased pork production in 2014. Some of the shortage in domestic production will be filled with increased pork imports.

Commodities:

Animal Numbers, Cattle

Production:

The total Korean beef cattle inventory continues to drop slowly but gradually as a lot of farmers with small sized operations, consisting mostly of breeding farms, that could not afford high feed prices coupled with the prospects of low calf prices up to August 2013, began to give up raising cattle. However, due to increased cow slaughter (accounting for 52.8 percent of total slaughter in 2013) and increased demand for domestic beef, calve prices began to rise from September 2013 and into early 2014. This has somewhat slowed the speed in inventory decline but has not been sufficient to change it to an upward trend. This trend was reflected in a survey conducted by the Korea Rural Economic Institute (KREI), where the indicator for farmers' intent to increase herd size was negative until September 2013 but turned more positive in December 2013. Despite this change in farmers' outlook, it did not come early enough to positively impact an increase in total inventory for the end of 2014. This is because although farmers may wish to increase their herd size as cattle prices go up, not enough cows were available following the increased slaughter in 2013 when prices were less favorable. Another factor that will keep total ending inventory for 2014 from rapidly returning to the same level as early 2013 is the fact that total semen sales in 2013 were only 92.8 percent of the 2012 level.

The total number of calf crop in 2014 will also drop due to both the lower cow inventory and the drop in sales of semen for artificial insemination. Consequently, as total inventory drops, the 2014 slaughter numbers are projected to drop by over 7 percent. Year-end inventory for 2014 is projected to be slightly higher than our earlier estimate of 3.1 million head as farmers are expected to try to rebuild their inventory in 2014 due to increased live cattle prices. Another hindering factor that will limit the increase in cattle inventory is the Korean government's move to require cattle farms that are larger than 600 square meters to obtain permits as of February 23, 2014. Up to now, only the farms that were larger than 1,200 square meters were required to obtain permits. In order to receive the permit, the farms must be equipped with ventilation facilities, fumigation facilities as disease control facilities to prevent disease from being introduced into the farm. Farmers that cannot finance the cost of installing these facilities either will not be allowed to begin to raise cattle and existing farms will have to stop raising cattle within 1 year if they cannot be equipped with this facility.

Korea: Farmers' Intention for Cattle Herd Size

Year	Month	Farmers' Plan
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		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

Source: KREI

Hanwoo Semen Sales (Unit: 000 straws)

Month	2009	2010	2011 1/	2012	2013	Change 2/
Jan	119	146	0	105	102	97.1
Feb	140	131	0	113	98	86.7
Mar	138	145	282	169	133	78.7
Apr	162	248	211	175	150	85.7
May	177	154	249	179	166	92.7
Jun	216	216	276	217	184	84.8
Jul	238	271	256	238	216	90.8
Aug	270	240	225	200	157	78.5
Sep	207	223	197	156	162	103.8
Oct	185	181	177	139	153	110.1
Nov	143	144	137	113	125	110.6
Dec	135	134	105	111	131	118.0
Total	2,130	2,233	2,115	1,915	1,777	92.8

Source: GS&J

Note:

1/ 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.

2/ The change is a comparison of 2013 sales over the same month in 2012.

Based on the semen sales data, the Korea Rural Economic Institute (KREI) projected that the potential production of calves will continue to drop through August 2014 compared to the same period in 2013

(See table below). However, as calf prices continue to go up in 2014, some farmers are looking into the possibility of increasing their herd size. Both the government and research institutes are giving out warnings that due to high calf prices and feed prices, it could be difficult to make a profit for another 2 years. It remains to be seen if farmers will follow such warnings or not. The semen sales data since September 2013 is indicating an increase in calf crop.

Korea: Trend in potential for herd size of calves under 1 year old

Year	Potentiality for calf production						
	Feb	Mar	Apr	May	Jun	Jul	Aug
2014	84.2	81.8	80.2	80.4	79.8	78.7	81.3
2013	100.0	95.1	91.9	88.9	90.6	91.4	88.4
Change (%)	-15.8	-14.0	-12.7	-9.7	-11.9	-13.9	-8.0

Source: KREI

Monthly Cattle Slaughter Trend

Year	Month	Cow		Bulls/steers		Total	
		Heads	Percent of total	Heads	Percent of total	Sub-total	Percent of annual
2012	Jan	48,285	42.70	64,788	57.30	113,073	11.66
	Feb	27,740	43.64	35,823	56.36	63,563	6.55
	Mar	31,498	45.41	37,869	54.59	69,367	7.15
	Apr	32,712	47.49	36,165	52.51	68,877	7.10
	May	35,210	50.16	34,979	49.84	70,189	7.24
	Jun	34,938	52.00	32,249	48.00	67,187	6.93
	Jul	40,872	55.51	32,756	44.49	73,628	7.59
	Aug	42,520	53.18	37,439	46.82	79,959	8.24
	Sep	69,059	54.10	58,591	45.90	127,650	13.16
	Oct	39,929	55.16	32,453	44.84	72,382	7.46
	Nov	45,445	55.98	35,732	44.02	81,177	8.37
	Dec	45,566	54.97	37,322	45.03	82,888	8.55
	Total	493,774	50.91	476,166	49.09	969,940	100.00
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

Source: Quarantine Inspection Agency

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 slaughtered in 2011 were sold at a loss by farmers. This percent increased to 49 percent in 2012, as farmers sent lower quality cows for slaughter due to high feed prices and low cattle prices. This trend improved to 38 percent in 2013 as the ratio of steers increased. Farmers recognized the need to improve the quality of their beef cattle in order not to lose money.

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
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

a/ Estimate

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			2012	2013	2012	2013
	2012	2013	2014	2012	2013	2014				
Jan	935	787	1,278	1,354	1,552	1,968	3,689	3,533	3,155	4,216
Feb	1,134	869	1,584	1,477	1,588	1,903	3,924	3,518	3,379	4,121
Mar	1,176	707		1,601	1,500		3,910	3,492	3,460	3,905
Apr	1,192	656		1,712	1,660		3,723	3,393	3,424	3,680
May	1,157	852		1,832	1,763		3,726	3,203	3,408	3,582
Jun	1,088	883		1,668	1,707		3,655	3,190	3,395	3,539
Jul	998	817		1,604	1,643		3,406	3,202	3,287	3,508
Aug	798	769		1,510	1,779		3,243	3,379	3,455	3,698
Sep	847	935		1,480	1,995		3,449	3,529	3,614	3,853
Oct	845	1,022		1,553	1,807		3,330	3,772	3,873	4,190
Nov	823	1,189		1,435	1,874		3,496	4,116	4,111	4,407
Dec	761	1,212		1,329	1,879		3,471	4,151	4,174	4,378

Source: National Agricultural Cooperative Federation

Exchange rate US\$1 = 1,073.00 (As of February 24, 2014)

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle 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

Total Cattle Beg. Stks	3,354	3,354	3,479	3,479	3,270	3,342
Dairy Cows Beg. Stocks	283	283	299	299	300	304
Beef Cows Beg. Stocks	1,249	1,249	1,232	1,232	1,200	1,166
Production (Calf Crop)	1,105	1,105	851	944	830	830
Total Imports	0	0	0	0	0	0
Total Supply	4,459	4,459	4,330	4,423	4,100	4,172
Total Exports	0	0	0	0	0	0
Cow Slaughter	494	494	575	565	530	497
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	476	476	475	506	460	496
Total Slaughter	970	970	1,050	1,071	990	993
Loss	10	10	10	10	10	10
Ending Inventories	3,479	3,479	3,270	3,342	3,100	3,169
Total Distribution	4,459	4,459	4,330	4,423	4,100	4,172
1000 HEAD, PERCENT						

Commodities:

Meat, Beef and Veal

Production:

As farmers continued to reduce the calf production in 2013 and as some farmers try to retain their cow for breeding purposes in 2014, total slaughter is projected to drop in 2014. As a result of the drop in slaughter numbers, total 2014 beef production is projected to decrease by 7.3 percent over the 2013 level. The number of cattle under 1 year old in December 2013 was 801,000 heads, compared to 942,000 heads in December 2012. The decrease in the number of cattle in this age group will result in lower herd size to be put up for slaughter in 2014.

Consumption:

An abundant supply of domestic Hanwoo beef in 2013 kept domestic beef prices almost at the same level as in 2012. Farmer groups tried to boost consumption through various promotional activities in order to prevent cattle prices from further declining. Such aggressive promotions seems to have brought positive results as local beef prices remained stable in 2013 over the 2012 level, despite an increase of 10 percent in total supply. Substitute demand caused by an Avian Influenza outbreak in poultry and a continued drop in fish consumption following the Fukushima nuclear plant accident 3 years ago also attributed to increasing total beef consumption in 2013 by 4.4 percent.

The sluggish economy kept U.S. beef consumption from increasing in 2013 as people are not dining out as much where the bulk of the U.S. beef is consumed. Over 60 percent of U.S. beef is consumed in hotel, restaurant and institutional use. Another factor that has kept U.S. beef consumption low is the fact that the price advantage of U.S. beef over Korean beef has diminished as U.S. beef prices continued to increase in 2013 whereas local beef prices remained stable due to oversupply.

As can be seen from the table below comparing beef prices among competing products, U.S. beef prices were squeezed by both lower domestic prices and a greater price gap with other imported beef in addition to domestic pork. In fact, the price of lower quality Hanwoo beef (Grade 3) was lower than U.S. chilled beef prices. The lower price of domestic Hanwoo beef was largely due to aggressive promotion by domestic Hanwoo cattle producers but the impact from such promotional activities was big enough to make domestic beef prices more appealing to consumers than the locally produced beef consumers generally prefer if the price is affordable.

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

Origin	Quality	2012	2013	Change in 2013 price over 2012 price	Price ratio over U.S. chilled beef	
					2012	2013
Korean Hanwoo	Grade 1	3,169	3,109	0.98	1.54	1.33
	Grade 3	2,126	2,154	1.01	1.03	0.92
U.S. Beef	Chilled	2,063	2,334	1.13	1.00	1.00
	Frozen	1,392	1,487	1.07	0.67	0.64
Australian Beef	Chilled	1,831	1,903	1.04	0.89	0.82
	Frozen	1,192	1,249	1.05	0.58	0.52
Korean Pork		1,678	1,609	0.96	0.81	0.69

Source: National Agricultural Cooperative Federation
Exchange rate US\$1 = 1,073.00 (As of February 24, 2014)

Retail Prices for Beef Short Ribs (2010 – 2013)							
Unit: Won per 500 gram							
Year	Month	Domestic Hanwoo (chilled)		U.S. A.		Australia	
		#1 Grade	#3 Grade	Chilled	Frozen	Chilled	Frozen
2012	January	22,200	12,000	11,900	8,270	10,695	7,185
	February	20,065	12,060	11,335	8,570	9,355	7,205
	March	20,165	12,000	10,905	8,480	9,205	7,195
	April	20,125	12,000	11,695	8,455	8,775	7,150
	May	20,460	12,000	11,610	8,420	8,125	7,150
	June	20,570	12,000	12,365	8,485	8,785	7,195
	July	20,630	12,000	13,700	8,510	8,585	7,150
	August	20,930	12,000	13,670	8,480	8,435	7,150
	September	21,175	12,000	13,900	8,680	9,480	7,150
	October	20,855	12,000	13,900	8,675	9,555	7,150
	November	20,910	12,000	13,900	8,805	8,740	7,150
	December	20,930	12,000	13,900	8,795	8,800	7,150
2013	January	21,225	12,000	13,900	8,800	9,250	7,240
	February	20,945	12,000	13,900	8,935	11,040	7,465
	March	20,745	12,000	-	9,050	9,575	7,565
	April	20,270	12,000	-	9,355	9,555	7,665

	May	20,580	12,000	-	9,455	9,095	7,590
	June	20,385	12,000	-	9,555	9,145	7,600
	July	20,570	12,000	-	9,980	9,845	7,695
	August	20,730	12,000	-	10,085	9,640	7,870
	September	21,225	12,000	-	10,625	10,825	8,040
	October	20,805	12,430	-	11,065	10,630	8,300
	November	21,650	13,500	-	11,300	10,240	8,215
	December	21,610	13,500	-	11,495	10,180	8,270

Source: National Agricultural Cooperative Federation
Exchange rate US\$1 = 1,073.00 (As of February 24, 2014)

Trade:

Although the total import value of U.S. beef to Korea increased in 2013 over the 2012 level, the volume dropped due to a lack of supply from the United States. As Korea increases its imports in 2014 to make up for the drop in domestic beef production, U.S. beef imports are projected to rebound. U.S. beef is subject to only a 32 percent duty compared with a 40 percent duty for beef coming from major competitors. Australia signed a Free Trade Agreement with Korea on February 10, 2014. However, it still has to undergo legal review and ratification by the National Assembly before it comes into effect. As the FTA with Australia calls for a 15 year phase out for beef import duties, the United States will continue to benefit from the lower duty until it comes down to zero. Canada and Korea also reached an agreement on an FTA between the 2 countries on March 11, 2014. This FTA also calls for a 15 year phase out in beef import duty and has to undergo similar legal processes as the FTA with Australia before becoming effective.

Korea: Beef Imports (Thousand dollars and metric tons)

Country	Annual 2012		Annual 2013	
	Value	Volume	Value	Volume
Australia	676,040	137,948	758,386	147,198
United States	471,734	95,082	529,351	92,158
New Zealand	100,095	27,541	96,010	25,343
Mexico	7,315	2,476	669	232
Canada	6,111	1,371	9,748	2,147
Others	350	109	2,566	660
Total	1,261,645	264,527	1,396,730	267,738

Source: KITA

Product equivalent basis

Comparison of Results between Korea-Australia FTA and KORUS FTA

Commodity		Korea – Australia FTA	KORUS FTA
Beef	Content of agreement	Duty phased out in 15 years plus Agricultural Safeguard (Phase out begins after implementation of the FTA)	Duty phased out in 15 years plus Agricultural Safeguard (Already in 3 rd year of phase out)

	Base duty	40 percent	40 percent
	Applied duty in 2014	37.4% (If implemented in 2014), or 40% if implemented in 2015.	32%

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal 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
Slaughter (Reference)	970	970	1,050	1,071	990	993
Beginning Stocks	80	80	78	78	79	80
Production	312	312	336	344	317	319
Total Imports	370	370	370	375	398	409
Total Supply	762	762	784	797	794	808
Total Exports	1	1	5	4	6	5
Human Dom. Consumption	683	683	700	713	710	723
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	683	683	700	713	710	723
Ending Stocks	78	78	79	80	78	80
Total Distribution	762	762	784	797	794	808
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						

Commodities:

Animal Numbers, Swine

Production:

The efforts by Korean swine producers to reduce sow numbers in 2013 bore some results in keeping the total inventory from rising further. But as the reduction in sow numbers did not take place until the second half of 2013, it was not effective in reducing the total inventory in 2013. However, the reduced sows will definitely bring down the inventory in 2014. The effect of lowering the sow numbers is expected to begin to have an impact on the total inventory about 10 months later, considering the 4 month pregnancy period and about 6 months needed to raise the piglets. Therefore, the impact of a low

conception rate during the 2013 summer coupled with efforts to reduce sow numbers will begin to have an impact on total inventory in 2014. The piglet production and ending inventories in 2014 is based on the drop in sow numbers during the second half of 2013. However, it remains to be seen how long the effect from lower sow numbers will last as compound feed sales for sow in January 2014 increased by 3.9 percent over the level in December 2013.

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	2,966	3,020	2,875	108	911
2011	Mar	732	2,149	2,079	2,034	85	688
	Jun	793	2,272	2,217	2,003	115	724
	Sep	835	2,416	2,340	2,155	117	756
	Dec	903	2,586	2,457	2,188	119	821
2012	Mar	950	2,772	2,698	2,376	144	862
	Jun	969	2,921	2,940	2,537	144	890
	Sep	962	3,075	3,077	2,770	118	897
	Dec	962	3,073	3,076	2,749	113	904
2013	Mar	973	3,089	3,109	2,882	112	914
	Jun	952	3,116	3,161	2,904	98	902
	Sep	897	3,078	3,196	2,972	88	854
	Dec	895	2,940	3,130	2900	99	844

Source: Korea Statistic Administration

1/ Swine over eight months are sows and part of the swine 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.

The following table reflects the intention of farmers to gradually increase their herd size in 2014.

2013	2014					
December	March	April	May	June	July	August
100.0	95.5	95.6	95.8	96.3	96.2	97.2

Source: KREI

Monthly Swine Slaughter

Year	Month	Slaughter number (heads)			Average live weight (kg.)		
		Total	Gilt/Sows	Boar	Total	Gilt/Sows	Boar
2012	Jan	956,653	514,248	442,405	115	115	114
	Feb	1,099,850	588,754	511,096	116	116	115
	Mar	1,181,805	634,032	547,773	115	115	114

	Apr	1,043,265	559,953	483,312	115	116	114
	May	1,146,640	614,438	532,202	116	117	114
	Jun	1,049,726	561,717	488,009	115	117	113
	Jul	1,097,039	587,361	509,678	114	116	113
	Aug	1,164,073	619,160	544,913	113	114	111
	Sep	1,187,715	629,937	557,778	114	115	112
	Oct	1,403,146	737,273	665,873	115	116	114
	Nov	1,441,383	760,246	681,137	115	116	114
	Dec	1,268,394	674,475	593,919	114	115	113
	Total	14,039,689	7,481,594	6,558,095	115	116	113
2013	Jan	1,484,824	787,283	697,541	115	115	114
	Feb	1,255,499	665,199	590,300	114	115	113
	Mar	1,370,818	722,826	647,992	114	115	114
	Apr	1,605,656	727,386	878,270	114	115	113
	May	1,340,713	708,506	632,207	114	116	113
	Jun	1,132,980	599,761	533,219	113	115	112
	Jul	1,259,886	665,878	594,008	112	114	111
	Aug	1,242,801	668,091	574,710	112	114	110
	Sep	1,212,485	648,494	563,991	112	114	111
	Oct	1,570,333	832,306	738,027	114	115	113
	Nov	1,463,834	739,722	724,112	114	115	113
	Dec	1,419,339	704,042	715,297	114	115	113
	Total	16,359,168	8,469,494	7,889,674	114	115	113

Source: NACF

Swine Carcass Prices

Month	2009	2010	2011	2012	2013
	Won per kilogram				
January	4,487	3,859	6,342	4,725	3,032
February	4,225	3,920	6,372	4,451	3,044
March	5,031	3,989	6,565	4,401	3,061
April	4,955	4,325	5,786	4,309	3,778
May	4,245	4,272	7,200	4,873	3,857
June	4,531	4,647	7,675	4,971	4,679
July	4,826	4,663	6,572	4,600	4,369
August	4,967	4,802	6,322	4,356	4,577
September	4,475	4,535	5,384	3,561	4,228

October	3,672	3,817	4,495	2,992	3,272
November	4,021	3,963	5,619	3,814	4,110
December	4,128	4,344	6,336	3,485	4,078

Source: NACF

Swine producers are claiming that carcass prices need to be over 3,700 won/kg in order for producers to avoid a loss. However, as can be seen from the above table, the carcass prices have continued to be over that price level during the second half of 2013, except for in October. This may be one of the reasons why sow feed production may have begun to increase in January 2014, as farmers may feel more confident about swine prices in 2014.

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine 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
Total Beginning Stocks	8,171	8,171	9,916	9,916	9,000	9,912
Sow Beginning Stocks	903	903	962	962	950	895
Production (Pig Crop)	16,340	16,340	16,300	16,953	15,800	15,000
Total Imports	11	11	2	2	2	2
Total Supply	24,522	24,522	26,218	26,871	24,802	24,914
Total Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	14,040	14,040	16,618	16,359	15,800	15,288
Total Slaughter	14,040	14,040	16,618	16,359	15,800	15,288
Loss	566	566	600	600	500	950
Ending Inventories	9,916	9,916	9,000	9,912	8,502	8,676
Total Distribution	24,522	24,522	26,218	26,871	24,802	24,914
1000 HEAD, PERCENT						

Commodities:

Meat, Swine

Production:

As efforts to reduce overall inventory of swine in 2013 through increased slaughters did not occur until the second half of 2013, total pork production remained at record high levels in 2013. However, as the effect from lower sow numbers impacts the piglet production in 2014 and with higher losses of piglets due to PED, total slaughter numbers will drop and will result in decreased pork production in 2014. Another factor that will reduce total pork production is the government's plan to change the

grading system for pork. The grading standard for pork that went into effect as of July 1, 2013 will result in a drop in average carcass weight. The government decreased the 7 different pork grades into 4 grades to help the consumers understand the quality of pork that they are purchasing. The 4 grades are; 1+, 1, 2 and off-grade. The change in grading system also lowered the ceiling for carcass weight to minimize the fat content in single-rib belly. In order to receive a 1+ grade, the range of carcass weight must be between 84~93 kg. Previously, the range for 1+ grade was 83~96 kg. (For a more detailed explanation, please see KS1343).

Consumption:

Pork consumption in 2014 is projected to increase by less than 1.5 percent as domestic pork prices are anticipated to increase due to lower production. Some of the shortage in domestic production will be filled with increased pork imports.

As can be seen from the following consumption pattern, the amount of single rib bellies which traditionally has been the most favorite and most expensive cut is gradually dropping, whereas consumption of pork ribs, collar butts and loin are increasing. Such phenomena are due to promotional activities by the Korea Swine Association to increase the consumption of non-pork belly cuts, thereby increasing the overall profit return to producers. The highest increase was in picnic and ham consumption, indicated by the increase in processed pork products. The government has allowed the manufacturing of sausages and processed pork products within the butcher shops to encourage consumption of processed pork to increase the sale of non-pork belly cuts.

Average household pork consumption amount per 4 weeks

Unit: Kilogram

	2009	2010	2011	2012	2013
Single ribbed belly	1.41	1.47	1.47	1.43	1.42
Pork ribs	2.02	2.05	2.03	2.13	2.22
Collar butt	1.18	1.21	1.10	1.09	1.16
Picnic / ham	2.46	2.44	2.17	2.33	2.47
Loin / tenderloin	1.51	1.44	1.23	1.28	1.39
Average	2.08	2.16	1.97	2.03	2.05

Source: Kantar World panel Korea/ KREI

Trade:

Pork imports are projected to increase in 2014 as domestic pork production drops. However, the United States will have to overcome price competitiveness with its EU suppliers as U.S. pork supply is expected to be very tight this year caused by the PED outbreak in the United States.

Korea: Pork Imports

Unit: Thousand dollars and Metric Tons

Country	Annual 2012		Annual 2013	
	Value	Volume	Value	Volume
United States	364,944	122,567	289,880	103,899
Canada	132,222	58,551	72,839	39,676

Chile	124,600	37,054	101,751	30,367
Austria	51,088	13,783	37,999	10,632
France	47,866	12,266	29,796	7,262
Netherlands	59,806	14,607	37,133	9,191
Spain	57,448	26,314	42,267	18,446
Belgium	38,670	10,232	28,815	8,213
Germany	133,157	35,742	112,928	32,338
Denmark	36,662	14,557	29,394	11,564
Hungary	15,816	4,840	8,691	3,216
Poland	47,136	17,183	28,480	9,818
Mexico	27,661	8,992	19,651	7,067
Others	19,864	9,062	15,319	6,908
Total	1,156,940	385,750	854,943	298,597

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	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
Slaughter (Reference)	14,040	14,040	16,300	16,359	15,800	15,288
Beginning Stocks	50	50	90	90	100	100
Production	1,086	1,086	1,210	1,252	1,160	1,170
Total Imports	502	502	400	381	425	460

Total Supply	1,638	1,638	1,700	1,723	1,685	1,730
Total Exports	2	2	2	2	5	5
Human Dom. Consumption	1,546	1,546	1,598	1,621	1,600	1,645
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1,546	1,546	1,598	1,621	1,600	1,645
Ending Stocks	90	90	100	100	80	80
Total Distribution	1,638	1,638	1,700	1,723	1,685	1,730
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						