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Korea - Republic of

Livestock and Products Annual

Annual

Approved By:
Mark A. Myers

Prepared By:
Yong Keun Ban / Mark A. Myers

Report Highlights:
Korean beef cattle inventory has slowly begun to drop as small sized breeding farms are giving up raising cattle due to high feed prices and low calf prices. This will drop further in 2014 due to lower semen sales, increased cow slaughter ratio, and a 11 percent drop in cattle numbers under 1 year old during the first half of 2013. As a result of the drop in slaughter numbers coming from low herd size, total 2014 beef production is projected to decrease by 5.7 percent over the 2013 level. Beef imports are projected to increase slightly in 2014 to make up for the drop in domestic production but will face severe competition from low priced domestic beef.

Swine inventory in 2013 was record high at 10.18 million heads as of June 2013 but due to low

conception rate during the hot summer and as farmers continue their efforts to lower the sow numbers to increase swine prices, total swine inventory is projected to come down at the end of 2013 and continue to go lower in 2014. The drop in total piglet crop in 2014 will bring about lower slaughter numbers, which will result in a drop of domestic pork production. The reduction in domestic pork supply in 2014 will be filled with increased pork imports.

Commodities:

Animal Numbers, Cattle

Production:

Korean beef cattle inventory has slowly but gradually begun to drop as small sized farmers, consisting mostly of breeding farms, could not afford high feed prices coupled with low calf prices are beginning to give up raising cattle. Over 10,000 farmers that raise less than 50 cattle gave up farming during the first half of 2013. According to a survey conducted by the Korea Rural Economic Institute (KREI), farmers' intention to increase its herd size was negative for the second half of 2013 up to January 2014. Beef cattle numbers under 1 year old have dropped from 942,000 in December 2012 to 842,000 as of June 2013. Hanwoo cattle semen sales, which is an indicator for future cattle inventory has also dropped during the first half of 2013 to 833,000 straws from 958,000 straws during the same period in 2012. All of these factors will not only have an impact on the ending inventory for 2013, but also when coupled with increased cow slaughter ratio which jumped from an annual average of 50.9 percent in 2012 to 54.3 percent during the first half of 2013, it will be difficult for the industry to increase its herd size in 2014.

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 5 percent.

Year-end inventory for 2014 is projected at 3.1 million head as a result of low calf production in 2013 and small farmers stop to raising cattle. Most of the small sized farms that are operated by elderly farmers are known to account for 90 percent of the total calf production. As these farmers go out of business the foundation for raising Hanwoo cattle could be impacted as people would not have any calves to feed even when cattle prices turn upwards. However, as the government sees the optimum level of Hanwoo inventory to be around 2.6 million heads along with about 420,000 heads of dairy cows, the current level of total cattle inventory which is 3.48 million is thought of being too high. As such, the government plans to compensate the farmers that want to retire by providing direct payment for shutting down their farm so that the inventory can reduce further to the optimum level of 3.0 - 3.1 million heads for total Hanwoo and dairy cattle.

Cattle Industry Survey of Intention

Farmers' Plan	2010				2011				2012				2013	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
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	93.5	96.8	95.2
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	2.1	1.4	1.1
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	4.4	1.8	3.7

Source: KREI

The Korean government and National Agricultural Cooperative Federations (NACF) continued to carry out price discount promotions to boost consumption of domestic Hanwoo beef in 2013. Although such efforts increased consumption, it was not sufficient to halt the decline in live cattle prices throughout the first half of 2013. Fully grown live cow and steer prices in July 2013 dropped to 92 percent and 84 percent respectively of the price level in December 2012. The main reason for the decline in live cattle prices is due to a surplus in local cattle inventories, resulting from a 70 percent increase in domestic herd size over the past decade. In response to the declining cattle prices, the Korean Hanwoo Association held massive demonstrations and asked the government to come up with measures to recover cattle prices. The government announced several of the following measures to address the concern among cattle farmers:

1. Increased discount sales of Hanwoo beef
2. Review the possibility for using check-off funds to compensate catering firms for the price difference between Hanwoo beef and imported beef if they use Hanwoo beef. NACF estimates that the amount of imported beef used by catering business in 2012 was about 46,000 MT (equal to 380,000 heads of live cattle).
3. Increase the amount of domestic beef supply to the military from 1,284 MT in 2012 to 1,544 MT in 2013.
4. Provide support for purchase of trucks to be used in direct sales as well as the establishment of local food shops.
5. Increase butcher shop style restaurant that had become very popular in the past years due to its competitive price. The government plans to increase the number of such restaurants from the current 321 to 600 by 2017.
6. Increase the amount of guarantee ceilings by Agricultural Credit Guarantee Corporation for feed purchase from 100 million won to 200 million won.
7. Increase the planted area for forage from 270,000 hectare in 2012 to 350,000 ha. in 2013 and 370,000 ha. in 2014.

Hanwoo Semen Sales (Unit: 000 straws)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
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	0	0	282	211	249	276	256	225	197	177	137	105	2,115
2012	105	113	169	175	179	217	238	200	156	139	113	111	1,915
2013	102	98	133	150	166	184							833

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 and KAIA

Monthly Cattle Slaughter Trend

Year	Month	Cow		Bull/steers		Total	
		Heads	Percent of total	Heads	Percent of total	Sub-total	Percent of annual

2012	Jan	48,285	42.7	64,788	57.3	113,073	11.7
	Feb	27,740	43.6	35,823	56.4	63,563	6.6
	Mar	31,498	45.4	37,869	54.6	69,367	7.2
	Apr	32,712	47.5	36,165	52.5	68,877	7.1
	May	35,210	50.2	34,979	49.8	70,189	7.2
	Jun	34,938	52.0	32,249	48.0	67,187	6.9
	Jul	40,872	55.5	32,756	44.5	73,628	7.6
	Aug	42,520	53.2	37,439	46.8	79,959	8.2
	Sep	69,059	54.1	58,591	45.9	127,650	13.2
	Oct	39,929	55.2	32,453	44.8	72,382	7.5
	Nov	45,445	56.0	35,732	44.0	81,177	8.4
	Dec	45,566	55.0	37,322	45.0	82,888	8.5
	Total	**493,774**	**50.9**	**476,166**	**49.1**	**969,940**	**100.0**
201	Jan	70,327	53.0	62,454	47.0	132,781	
	Feb	40,453	58.5	28,713	41.5	69,166	
	Mar	37,233	53.5	32,308	46.5	69,541	
	Apr	44,242	53.5	38,476	46.5	82,718	
	May	45,534	55.2	36,998	44.8	82,532	
	Jun	37,098	53.2	32,693	46.8	69,791	
	Jul						
	Aug						
	Sep						
	Oct						
	Nov						
	Dec						
	Total	**274,887**	**54.3**	**231,642**	**45.7**	**506,529**	

Source: Quarantine Inspection Agency

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	
Income	2011	1,420	672	169	-830	-1,764	
	2012 estimate	1,339	683	108	-998	-1,941	
	Aug 1 -15, 2013	1,469	582	-62	-1,057	-2,054	
Percent of carcasses for each grade	2011	9.2	22.6	30.6	25.5	11.6	
	2012	8.1	17.8	25.5	26.7	22.0	
	July, 2013	8.8	20.6	31.0	27.4	11.7	

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 49 percent in 2012, as farmers sent lower quality cows for slaughter due to high feed prices and low cattle prices. This trend improved slightly 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.

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

Month	Hanwoo calf		Hanwoo cow	Hanwoo steer
	Female	Male		
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
Aug., 2012	798	1,510	3,243	3,455
Sep., 2012	847	1,480	3,449	3,614
Oct., 2012	845	1,553	3,330	3,873
Nov., 2012	823	1,435	3,496	4,111
Dec., 2012	761	1,329	3,471	4,174
Jan., 2013	787	1,552	3,533	4,216
Feb., 2013	869	1,588	3,518	4,121
Mar., 2013	707	1,500	3,492	3,905
Apr., 2013	656	1,660	3,393	3,680
May, 2013	852	1,763	3,203	3,582
Jun., 2013	883	1,707	3,190	3,539
Jul., 2013	817	1,643	3,202	3,508

Source: National Agricultural Cooperative Federation, NACF (Exchange rate: US$1 = 1,113.5 won)

Note: Live beef cattle prices are not available during the period Jan. ~ 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	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
Dairy Cows Beg. Stocks	283	283	299	299		300
Beef Cows Beg. Stocks	1,249	1,249	1,232	1,232		1,200
Production (Calf Crop)	1,105	1,105	910	851		830
Total Imports	0	0	0	0		0
Total Supply	4,459	4,459	4,389	4,330		4,100
Total Exports	0	0	0	0		0
Cow Slaughter	494	494	570	575		530
Calf Slaughter	0	0	0	0		0
Other Slaughter	476	476	470	475		460
Total Slaughter	970	970	1,040	1,050		990
Loss	10	10	10	10		10
Ending Inventories	3,479	3,479	3,339	3,270		3,100
Total Distribution	4,459	4,459	4,389	4,330		4,100
1000 HEAD, PERCENT						

Commodities:

Meat, Beef and Veal

Production:

As farmers continue to reduce the calf production and as a result, total inventory drops in 2014, total slaughter is projected to drop. As a result of the drop in slaughter numbers, total 2014 beef production is projected to decrease by 5.7 percent over the 2013 level. The number of cattle under 1 year old in June 2013 was 842,000 heads, compared to 942,000 heads in December 2012. The decrease in the number of cattle in this age group will result in lower beef slaughter numbers in 2014.

Consumption:

An abundant supply of domestic Hanwoo beef and continued beef promotional activities by Korean farmer groups and hypermarkets is projected to increase consumption by 2.5 percent in 2013. A further increase in beef consumption is restrained by the abundant supply of domestic pork and a slow economy that is forecast to increase by only 2.5 percent in 2013. Consumption in 2014 is projected to increase marginally, as domestic beef supply drop slightly due to lower slaughter numbers.

The sluggish economy will have a bigger impact on U.S. beef consumption 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 at hotel, restaurant and institutional use. Also, home use of beef is also declining. According to a survey conducted by KREI, the average monthly beef purchase amount during the first 4 months of 2013 was lower than that of 2013. It dropped from 1.49 Kg. /month during the first 4 months of 2012 to 1.41 Kg. /month in 2013. Although, consumption picked up somewhat during the summer camping/BBQ season and as the Korean Chusuk holidays approaches in September, beef purchase is projected to increase. Consumers' reluctance to consume fish due to the fear over contamination caused by the Fukushima nuclear plant accident is shifting the consumption of fish to meat products.

Retail prices (20**11– 2013)**

Unit: Won per 500 gram

Month	**Hanwoo beef Loin (Top grade)**	**Australian Beef Loin (Chilled)**	**Australian Beef Loin (Frozen)**	**Domestic Pork**
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., 2012	28,010	19,330	6,125	8,315
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
Aug., 2012	30,885	19,340	6,050	8,790
Sept., 2012	32,075	20,200	6,050	8,905
Oct., 2012	31,870	N/A	6,050	7,345
Nov., 2012	31,410	21,040	6,265	7,350
Dec., 2012	30,560	22,270	6,300	7,490
Jan., 2013	30,930	20,655	6,295	7,230
Feb., 2013	30,880	21,980	6,300	7,085
Mar., 2013	29,110	22,535	6,310	6,460
Apr., 2013	29,285	19,915	6,600	7,165
May, 2013	29,875	20,910	6,600	7,785
Jun., 2013	29,740	20,650	6,600	8,770
Jul., 2013	29,470	20,315	6,720	9,585

Source: National Agricultural Cooperative Federation, NACF (Exchange rate: US$1 = 1,113.5 won)

Retail **Prices for Beef Short Ribs (2011– 2013)**

Unit: Won per 500 gram

Month	**Domestic Hanwoo (chilled)**		**U.S. A.**		**Australia**	
	#1 Grade	#3 Grade	Chilled	Frozen	Chilled	Frozen
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
Aug., 2012	20,930	12,000	13,670	8,480	8,435	7,150
Sept., 2012	21,175	12,000	13,900	8,680	9,480	7,150
Oct., 2012	20,855	12,000	13,900	8,675	9,555	7,150
Nov., 2012	20,910	12,000	13,900	8,805	8,740	7,150
Dec., 2012	20,930	12,000	13,900	8,795	8,800	7,150
Jan., 2013	21,230	12,000	13,900	8,800	9,250	7,240
Feb., 2013	20,945	12,000	13,900	8,935	11,040	7,465
Mar., 2013	20,745	12,000	13,900	9,050	9,575	7,565
Apr., 2013	20,270	12,000	13,900	9,355	9,555	7,665
May, 2013	20,580	12,000	N/A	9,455	9,095	7,590
Jun., 2013	20,385	12,000	N/A	9,555	9,145	7,600
Jul., 2013	20,570	12,000	N/A	9,980	9,845	7,695

Source: National Agricultural Cooperative Federation, NACF (Exchange rate: US$1 = 1,113.5 won)

Trade:

As domestic beef production drops in 2014, imports are projected to increase slightly to make up for the drop in domestic beef supply. However, the increase in imports will be mitigated due to the smaller price gap between Hanwoo beef and imported beef. Domestic beef prices will continue to drop as the government and industry conducts aggressive marketing through discounted prices, whereas, imported beef prices are stable or in some cases the prices have gone up higher than Hanwoo beef since 2012. The price ratio over U.S. beef prices against competing products have dropped during the first 7 months of 2013 against the same period in 2012. Price competitiveness will be one of the major factors in determining the market share of U.S. beef.

Average Retail Price for Bulgogi Cut Beef (Jan – Jul., 2013) Won per 100 grams					Price ratio over US beef price	
Origin of beef	Quality of beef	2012	2013	Change	2012	2013
Hanwoo beef	Grade 1	3,122	3,155	1.01	1.57	1.40
	Grade 3	2,145	2,195	1.02	1.08	0.97
U.S. Beef	Chilled	1,994	2,255	1.13	1.00	1.00

Australian beef	Chilled	1,845	1,903	1.03	0.93	0.84

The U.S. beef industry is expected to also have difficulty in increasing market size in 2013 and into 2014 due to a projected 3.3 percent drop in U.S. beef production and higher prices in reaction to external factors, including further opening of the Japanese market to beef from 'Under Thirty Month (UTM)'and higher premiums paid by China due to an improved economy.

In February 2013, Chile exported beef to Korea for the first time since its FTA was implemented in 2004. The TRQ set for duty free import of Chilean beef is 400 MT, composed of 200 MT for frozen beef and 200 MT for chilled beef. Thus, the impact coming from Chilean beef will be minimal. The impact of the KORUS FTA has been minimal as the duty drop in 2013 from 40 percent to 34.6 percent was offset by the factors mentioned in the above paragraph.

Korea: Beef Imports ($000 and Metric Tons)

Country	Annual 2012		Jan. – Jun., 2012		Jan. – Jun., 2013	
	Value	Volume	Value	Volume	Value	Volume
Australia	676,040	137,948	301,178	61,915	352,146	68,048
United States	471,734	95,082	238,340	47,121	246,206	43,882
New Zealand	100,095	27,541	51,676	13,843	53,300	13,915
Mexico	7,315	2,476	5,949	2,014	421	137
Canada	6,111	1,371	2,476	452	5,248	1,184
Others	350	109	55	172	941	233
Total	1,261,645	264,527	599,674	125,517	658,262	127,399

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	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	1,040	1,050		990
Beginning Stocks	80	80	78	78		80
Production	312	312	336	336		317
Total Imports	370	370	370	370		398
Total Supply	762	762	784	784		795
Total Exports	1	1	1	4		5
Human Dom. Consumption	683	683	703	700		710
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	683	683	703	700		710
Ending Stocks	78	78	80	80		80

Total Distribution	762	762	784	784		795
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						

Commodities:

Animal Numbers, Swine

Production:

The 2013 piglet production has been adjusted upwards to reflect the high sow numbers that only dropped by 10,000 heads during the first half of 2013. The swine farmers had agreed in March 2013 to voluntarily reduce the sow numbers by 10 percent (equivalent to about 100,000 sows) in order to reduce the total inventory and raise the price of swine ready to be harvested. However, due to the lack of cooperation by individual farmers, sow numbers had dropped only 2.2 percent from the previous quarter as of June 2013. Accordingly, total inventory number continued to increase up to 10.18 million heads as of June 1, 2013. The Korea Rural Economic Institute is projecting that the total inventory will go up even higher in September, 2013 to 10.2~10.3 million heads before coming down to 90.0~10.0 million heads at the end of 2013. As farmers continue their voluntary efforts to lower the sow number and due to low conception rate during the hot summer season, total swine inventory is projected to come down at the end of 2013.

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 low conception rate during the 2013 summer coupled with efforts to reduce the 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 projection that the sow numbers will gradually come down during the second half of 2013.

Also, the Maximum Sustainable Yield (MSY) that was brought about by the disinfection process after the 2010/2011 FMD outbreaks, as well as the lower mortality rate of piglets, is projected to slightly drop in 2014 as the disinfection effect fades out. MSY is projected to drop from 16.9 heads in 2013 to 16.6 heads in 2014. The lower MSY rate will also result in lower piglet production in 2014.

The government announced various measures for the second half of 2013 to help the swine producers that are having difficulty due to over-supply of domestic pork production. The following measures are what the government is planning to implement for the remainder of 2013:

- Increase pork consumption by developing new cuts for grilling purposes, such as Boston butt and a cut where the loin and belly is attached together. If such efforts are successful, it will increase the consumption of loins which is not a popular cut in Korea as well as lower the excessive demand for singled rib belly and collar butt.

- Increase export of processed pork made from lean meat, which is not popular in Korea. The government plans to increase the export of these processed pork cuts as heat-treated products.
- The government will provide a budget to procure and store 10,000 MT of ham during the second half of 2013.

It will also continue to support promotional activities to increase the consumption of pork.

Number of sows and swine by age (000 heads)

Month	Sow 1/	Swine Number by Age				
		Under 2 Month old	2 – 4 Month old	4 – 6 Month old	6 – 8 Month old	Over 8 Month old
Dec., 2010	976	2,966	3,020	2,875	108	911
Mar., 2011	732	2,149	2,079	2,034	85	688
June, 2011	793	2,272	2,217	2,003	115	724
Sept., 2011	835	2,416	2,340	2,155	117	756
Dec., 2011	903	2,586	2,457	2,188	119	821
Mar., 2012	950	2,772	2,698	2,376	144	862
June, 2012	969	2,921	2,940	2,537	144	890
Sept., 2012	962	3,075	3,077	2,770	118	897
Dec., 2012	962	3,073	3,076	2,749	113	904
Mar., 2013	973	3,089	3,109	2,882	112	914
June, 2013	952	3,116	3,161	2,904	98	902

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 1st 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 swine farmers to reduce the herd size into the first part of 2014.

Index of Farmers' Intention to Increase Herd Size

Jun., 2013	Aug., 2013	Sept., 2013	Oct., 2013	Nov., 2013	Dec., 2013	Jan., 2014
100.0	100.1	99.5	99.2	99.2	99.3	98.7

Source: KREI

1/ The above index showing swine farmers' plans for their herd size for each month was derived using the total swine inventory in June, 2013 as 100. The survey was conducted during the period July 6~12, 2013.

Month-on-month comparison of slaughter numbers between 2012 and 2013 show that the slaughter level was about 26 percent higher in 2013 over the same period in 2012. Given the high inventory level and the aforementioned measures by producers and the government, the high slaughter rate is projected to continue into the second half of 2013.

Monthly swine slaughter   Unit: Heads and percent

Year	Month	Number of Heads Slaughtered			Average live weight (Kg.)			Index 1/
		Swine			Swine			
		Total	Gilt/Sows	Boar	Total	Gilt/Sows	Boar	
2011	Jan	962,309	532,369	429,940	113	113	112	
	Feb	791,004	428,513	362,491	116	116	116	
	Mar	947,299	526,407	420,892	115	115	114	
	Apr	906,443	489,028	417,415	114	115	114	
	May	870,853	469,177	401,676	114	115	113	
	Jun	780,913	419,192	361,721	113	114	112	
	Jul	723,992	391,414	332,578	113	114	112	
	Aug	885,102	472,477	412,625	113	114	111	
	Sep	883,949	470,504	413,445	113	114	112	
	Oct	1,026,885	537,387	489,498	115	115	114	
	Nov	1,072,237	567,210	505,027	114	115	114	
	Dec	966,926	518,259	448,667	114	115	113	
	Total	**10,817,912**	**5,821,937**	**4,995,975**	**114**	**115**	**113**	
2012	Jan	956,653	514,248	442,405	115	115	114	99.4
	Feb	1,099,850	588,754	511,096	116	116	115	139.0
	Mar	1,181,805	634,032	547,773	115	115	114	124.8
	Apr	1,043,265	559,953	483,312	115	116	114	115.1
	May	1,146,640	614,438	532,202	116	117	114	131.7
	Jun	1,049,726	561,717	488,009	115	117	113	134.4
	Jul	1,097,039	587,361	509,678	114	116	113	151.5
	Aug	1,164,073	619,160	544,913	113	114	111	131.5
	Sep	1,187,715	629,937	557,778	114	115	112	134.4
	Oct	1,403,146	737,273	665,873	115	116	114	136.6
	Nov	1,441,383	760,246	681,137	115	116	114	134.4
	Dec	1,268,394	674,475	593,919	114	115	113	131.2
	Total	**14,039,689**	**7,481,594**	**6,558,095**	**115**	**116**	**113**	**129.8**
2013	Jan	1,484,824	787,283	697,541	115	115	114	155.2
	Feb	1,255,499	665,199	590,300	114	115	113	114.2
	Mar	1,370,818	722,826	647,992	115	115	114	116.0

	Apr	1,605,656	727,386	878,270	114	115	114	153.9
	May	1,340,713	708,506	632,207	116	116	117	116.9
	Jun	1,132,980	599,761	533,219	113	115	112	107.9

1/ Index is the month-to-month comparison of total slaughter numbers against the previous year.
Source: QIA

Swine Carcass Prices

Month	Carcass price				
	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	
September	4,475	4,535	5,384	3,561	
October	3,672	3,817	4,495	2,992	
November	4,021	3,963	5,619	3,814	
December	4,128	4,344	6,336	3,485	

Source: National Agricultural Cooperative Federation, NACF (Exchange rate: US$1 = 1,113.5 won)

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 been under such price level during the first quarter of 2013. Although, prices have increased since April 2013 due to the seasonal barbeque demand, as demand drops in fall the price is projected to drop again.

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
Sow Beginning Stocks	903	903	962	962		950
Production (Pig Crop)	16,340	16,340	16,000	16,300		15,800
Total Imports	11	11	10	2		2
Total Supply	24,522	24,522	25,926	26,218		24,802
Total Exports	0	0	0	0		0
Sow Slaughter	0	0	0	0		0
Other Slaughter	14,040	14,040	16,665	16,618		15,800

Total Slaughter	14,040	14,040	16,665	16,618		15,800
Loss	566	566	601	600		500
Ending Inventories	9,916	9,916	8,660	9,000		8,502
Total Distribution	24,522	24,522	25,926	26,218		24,802
1000 HEAD, PERCENT						

Commodities:

Meat, Swine

Production:

The 2013 pork production number was adjusted to reflect the updated slaughter projection numbers. The drop in total piglet crop in 2014 will bring about lower slaughter numbers, which will result in a drop of domestic pork production. In addition the drop in slaughter number, a change in 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 had reduced 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. The thickness of the shoulder fat has also been adjusted lower from 17~27 mm to 17~25 mm. As farmers that want to receive higher grades will be harvesting their swine at a smaller weight, overall pork production will drop accordingly. The average live weight of swine slaughtered in 2012 was 115 kg (about 73 kg. on a carcass basis). If the carcass weight drops by 1 kg., it would mean that total pork production would drop by 15,800 MT in 2014.

Consumption:

Pork consumption in 2013 has been adjusted to reflect the decreased domestic supply. Pork consumption in 2014 is expected to grow slightly but the growth rate will be constrained by lower supply of domestic pork.

As can be seen from the following table, Korean consumers' favorite pork cut is single-rib-belly, where as only a small portion of loin and tenderloin was consumed. Such a discrepancy in preference over certain pork cuts is reflected in the cuts that are imported into Korea. Nearly half of pork imports are composed of single-rib bellies. This discrepancy is also the unpopular cuts to increase the total inventory in 2013.

Percentage of average household pork consumption by cuts Unit: Percent

	2010	2011	2012	2013
Single ribbed belly	33.3	36.5	33.9	30.8

Collar butt	14.8	12.5	12.6	12.8
Pork ribs	6.6	6.0	6.6	9.0
Picnic / ham	20.9	21.0	23.4	22.4
Loin / tenderloin	5.4	4.7	4.5	5.4
Other	19.0	19.4	19.0	19.6

Source: Kantar World panel Korea/ KREI

Trade:

Pork import numbers for 2013 have been revised to reflect the updated import statistics. The reduction in domestic pork supply in 2014 will be filled with increased imports. As domestic production drops, there will not only be demand for price competitive imported pork for processing but also imports of popular cuts used for barbeque purposes, such as single-rib-bellies, will increase to make up the shortage in domestic supply.

The tariff on frozen hams and shoulders fell from 16.7% in 2012 to 8.3% in 2013. The duty for this product will go down to zero in 2014. These are the cuts that are mostly used for meat processing and the United States' market share was 92 percent for these imported cuts during the Period January to July 2013. Overall, about 45 percent of Korean sausages and ham are made from U.S. pork. The phase out on chilled is much slower, but that category is not as commercially significant.

Due to lower pork imports in 2013 over the 2012 level caused by increased domestic production, the likelihood of chilled boneless pork imports from the United States exceeding the trigger level for safeguard which is set at 8,745 MT in 2013 is not foreseeable. During the first 7 months of 2013, a total of 3,478.02 MT of chilled pork from the United States had cleared quarantine inspection. If the total chilled boneless pork imports from the United States exceed the trigger amount, the KORUS duty that has dropped to 18 percent for chilled boneless pork will jump back to 22.5 percent for the amounts that exceed the trigger level.

Korea has discontinued providing zero duty tariff-rate-quota (TRQ) for pork imports in 2013 to cope with low domestic swine prices.

Korea: Pork Imports

Country	Annual 2012		Jan. - Jun., 2012		Jan. - Jun., 2013	
	Value	Volume	Value	Volume	Value	Volume
	$000	MT	$000	MT	$000	MT
United States	364,944	122,567	221,110	73,094	180,706	64,871
Canada	132,222	58,551	77,709	31,654	40,723	21,308
Chile	124,600	37,054	65,653	18,704	58,859	16,788
Austria	51,088	13,783	33,154	8,333	17,309	4,642
France	47,866	12,266	31,368	8,009	14,197	3,521
Netherlands	59,806	14,607	36,141	8,565	20,275	4,921
Spain	57,448	26,314	31,051	13,415	18,039	7,975

Belgium	38,670	10,232	25,880	6,412	13,597	3,802
Germany	133,157	35,742	89,422	22,867	54,478	14,881
Denmark	36,662	14,557	21,164	8,004	13,305	5,120
Hungary	15,816	4,840	10,411	3,058	4,303	1,479
Poland	47,136	17,183	32,138	10,527	15,246	5,183
Mexico	27,661	8,992	15,006	4,445	9,760	3,551
Others	19,864	9,062	11,067	4,618	6,654	2,902
Total	1,156,940	385,750	702,274	221,705	467,451	160,944

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	16,665	16,300		15,800
Beginning Stocks	50	50	90	90		100
Production	1,086	1,086	1,240	1,210		1,160
Total Imports	502	502	400	420		475
Total Supply	1,638	1,638	1,730	1,720		1,735
Total Exports	2	2	2	2		5
Human Dom. Consumption	1,546	1,546	1,628	1,618		1,650
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	1,546	1,546	1,628	1,618		1,650
Ending Stocks	90	90	100	100		80
Total Distribution	1,638	1,638	1,730	1,720		1,735
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						