

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Korea - Republic of**

## **Poultry and Products Annual**

### **Annual**

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**Report Highlights:**

Post forecasts broiler meat production will reach 740,000 tons in 2013, up 2 percent from 2012 production. The reduced growth rate in 2013 compared to 2012 (6 percent) is largely attributed to an expected domestic feed price hike resulting from the current surge in world grain price and increased ending stocks resulting from an oversupply of domestic broiler meat production since 2010. Meanwhile, the import of frozen broiler meat is forecast to decrease to 110,000 tons, down 4 percent from the previous year at 115,000 tons due to an expected continued weakness of the Korean won and reduced broiler production in exporting countries like the United States and Brazil.

**Production:**

Broiler production is forecast to reach 740,000 tons in 2013, up 2 percent from the previous year. The reduced growth rate in 2013 compared to 2012 (6 percent) is largely attributed to the expected domestic feed price hike resulting from surging world grain prices from 2012 and an increased ending stock as a result of the oversupply of domestic broiler meat production since 2010.

In 2012, broiler meat production is estimated at 726,000 tons, up 6 percent from year 2011 because of greater demand for fast food chicken delivery in Korea during the Olympic Games. The broiler inventories in June 2012 actually decreased to 97.7 million birds, down 11.2 percent from the previous year. However, inventories in July 2012 rose again to 126 million birds, up 5.2 percent from the previous year because of the expected demand during the Olympic Games in July and August.

Korea: Broiler Inventories as of June (Unit: 1,000 birds)		
Year	Farms	Birds
2009	2,249	99,983
2010	2,238	101,690
2011	2,266	110,122
2012	2,058	97,750

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

In general, the Korean broiler industry prepares enough inventories in June for the peak season in July and August (the hottest period of summer – from mid July to mid August).

The inventory of grand parental stock (GPS) has been increased as well since 2010 and it led a significant increase of PS inventories, chick production and broiler inventories accordingly. In 2012, many integrated broiler companies are increasing production capacity through renovation and establishment of new facilities, spurring the increase of domestic broiler production for the next couple of years.

Frozen broiler meat stock increased since 2010 resulting from ample domestic production. The average grow-out period decreased from 32.2 days in 2011 to 31.8 days in 2012. Conversely, the average weight of the bird when marketed increased from 1.52kg in 2011 to 1.54kg in 2012.

**Consumption:**

In 2013, broiler meat consumption is forecast at 840,000 tons, up 3 percent from 2012 due to ample supply and competitive pricing compared to red meat products. With the growing number of franchise chicken chain stores over the past 4 to 5 years, the consumption pattern for chicken meat, which used to be most intensive during the hottest period in summer (7/20 - 8/20), is shifting to all year-round consumption.

Broiler meat consumption in 2012 is expected to be 818,000 tons, up 3 percent from the previous year because of the increased demand in the fast food chicken delivery sector during the Olympic Games and many sunny days during July and August. Although the domestic consumption increased in 2012, the growth rate will be lower than the 7 percent growth in 2011 mainly due to the low demand as a result of the economic downturn throughout 2012, and the resumption of domestic pork production.

The import of frozen broiler meat and the demand of broiler meat surged in 2011 in the wake of food and mouth disease (FMD) outbreak in December 2010 and the fear of seafood following the radioactivity crisis in Japan in spring 2011. However, there was no additional substitute demand following reports of the 4<sup>th</sup> case of BSE in the U.S. in April 2012.

Year	Total Meat	Beef	Pork	Chicken	Egg
2010	38.7	8.8	19.2	10.7	11.8
2011	41.1	10.7	19.2	11.2	11.7
2012 1/	42	11.4	19.3	11.3	12.1

1/ Preliminary forecast by the Korea Rural Economic Institute

Source: Ministry of Agriculture & Forestry

For the past 4 to 5 years, the chicken consumption pattern showed changes from a typical diet of soup and stew menus (ginseng chicken soup or spicy chicken stew) to various snack menus for school students. The “Chicken Gangjeong” is one example of a popular snack for students. The chicken gangjeong is deep fried and coated with sweet and spicy sauces and shaped bigger than chicken popcorn, which was popular several years ago.

### **Price:**

Recently, the imported broiler meat sector is growing consistently as a result of various inexpensive menu options at restaurants. Although Korea has implemented country of origin labeling for chicken on menus since December 2008, many restaurants and delivery services are increasing demand for imported frozen broiler meat due to competitive prices. Domestic broiler prices are still about 3 times more expensive than imported.

In 2012, farm, wholesale, and consumer prices for broiler meat were lower. Due to the oversupply of domestic broiler meat, the average farm price during January – June 2012 was 1,740 won/kg, 12 percent lower than the same period in 2011 (1,971 won/kg). The significant farm price decline in 2012 is attributed to the growing shares of imported chicken meat in the franchise chicken business and the increased production capacity of domestic broiler integrated companies. However, prices in 2013 are expected to increase marginally due to an expected increased domestic feed price resulting from increased world grain prices.

**Trade:**

In 2013, broiler meat imports are forecast to decrease marginally to 110,000 tons, about 4 percent down from 2012 due to an expected reduction in broiler production and higher prices in the United States and Brazil in the wake of increasing world grain prices. The United States and Brazil are the first and second largest chicken meat exporters to the Korean market.

In 2011, Korea imported a record high of 130,950 tons; up 24 percent from 2010 (105,803 tons) in the wake of an FMD outbreak in December 2010 and the fear of seafood consumption resulted from the radioactivity crisis in Japan. Among the total import of 130,950 tons, 50,000 tons were imported with zero duty under the ROKG's policy on consumer price stabilization measurement throughout 2011. In 2011, imported frozen broiler meat covered about 16.5 percent of 795,000 tons of total domestic consumption

However, 2012 imports are estimated to decrease by 12 percent to 115,000 tons from the previous year due to increased import price and less favorable exchange rate. The average import price for frozen chicken leg quarter from the U.S. during January – June period increased from 1,488won/kg to 1,922won/kg, up 29 percent from the previous year. Additionally, the average exchange rate also increased by 39 won/USD during the same period. The frozen broiler meat imports during January – June 2012 period was down by 11.6 percent at 65,762 tons from the previous year (73,380 tons).

Price Comparison (Unit: Korean Won per Kilogram) 4/

Cuts	Domestic 1/	Imports 2/		
		U.S.	Brazil 3/	Denmark
Leg	6,015	1,922	2,339	1,871
Wing	7,079	-	3,228	3,026
Breast	6,809	3,784	3,334	-

1/ Chilled products, average retail price for January 1 – June 30, 2012 period

2/ Average CIF prices for January 1 - June 30, 2012 period

3/ Frozen Trimmed bone-less products (Mostly)

4/ Average exchange rate (1\$=1141.7 Korean won) for January – June 2012 period

Source: Korea Chicken Council & Korea Customs Service

The recent increase of frozen broiler meat imports for 2010 and 2011 were attributed to the growing number of chicken franchise chains since 2 to 3 years ago and the various chicken menu options for the young generation. Particularly, “chicken gangjeong”, which is deep fried and smaller pieces than regular fried chicken but bigger than chicken popcorn, coated with sweet and spicy sauce is very popular among school students since last year. Most of the “chicken gangjeong” stores mainly use imported frozen chicken meat to reduce the cost.

Korea’s chicken exports in 2012 are forecast to increase to 18,000 tons helped by the increase of chicken ginseng soup exports to Japan, Hong Kong, and spent hen meat exports to Vietnam as a result of an increased natural replacement rate. However, the 2013 export volume is forecast to decrease slightly to 16,000 tons due to the normal ratio of replacement for spent hens.

**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	2013	2014	2015
0207141010	Frozen Chicken Legs	20%	18%	16%	14%	12%
0207141020	Frozen Chicken Breast	20%	18.3.%	16.6%	15%	13.3%
0207141030	Frozen Chicken Wing	20%	18.3%	16.6%	15%	13.3%
0207141090	Other Frozen Chicken	20%	18%	16%	14%	12%
0207271000	Frozen Turkey Cuts	18%	15.4%	12.8%	10.2%	7.7%

**Commodities:**

Poultry, Meat, Broiler

**Production, Supply and Demand Data Statistics:**

Poultry, Meat, Broiler 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
Inventory (Reference)	80	79	84	81		83
Slaughter (Reference)	750	760	780	798		814
Beginning Stocks	9	9	9	15		20
Production	686	685	706	726		740
Total Imports	131	131	115	115		110
Total Supply	826	825	830	856		870
Total Exports	15	15	15	18		16
Human Consumption	802	795	805	818		840
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	802	795	805	818		840
Total Use	817	810	820	836		856
Ending Stocks	9	15	10	20		14
Total Distribution	826	825	830	856		870
MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG						

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

Approved Suppliers	Items
United Kingdom, Australia, 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, Australia, Brazil, Netherlands, Hungary, Canada, Poland and United States	Fresh, chilled, or frozen poultry meat
United Kingdom, France, Chile, Denmark, Sweden, Australia, 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 2011		CY 2012 (January- June)	
	Volume (MT)	Value (US\$1,000)	Volume (MT)	Value (US\$1,000)
<Leg>				
U.S.	85,629	124,571	32,223	54,246
Brazil	15,046	47,099	20,886	54,456
Denmark	241	406	87	142
Chile	574	1,853	176	495
Hungary	100	81	0	0
<b>Sub Total</b>	<b>101,590</b>	<b>174,010</b>	<b>53,372</b>	<b>109,339</b>
<Wing>				
U.S.	96	199	0	0
Brazil	3,817	10,884	282	798
Denmark	2,202	5,639	532	1,410
Hungary	211	475	140	284
<b>Sub Total</b>	<b>6,326</b>	<b>17,197</b>	<b>954</b>	<b>2,492</b>
<Breast>				
U.S.	398	1,401	424	1,405
Brazil	6,041	18,450	3,135	9,154
Denmark	0	2	0	2
<b>Sub Total</b>	<b>6,439</b>	<b>19,853</b>	<b>3,559</b>	<b>10,561</b>
<Total by Country>				
U.S.	86,123	126,171	32,647	55,651
Brazil	24,904	76,433	24,303	64,408
Denmark	2,443	6,047	619	1,554
Chile	574	1,853	176	495
Hungary	311	556	140	284
<b>Total</b>	<b>114,355</b>	<b>211,060</b>	<b>57,885</b>	<b>122,392</b>

Source: Korea Customs Service (KCS)

Processed Chicken Imports by Country

Country	CY 2011		CY 2012 (January- June)	
	Volume (MT)	Value (US\$1,000)	Volume (MT)	Value (US\$1,000)
China	3,255	10,593	1,186	4,257
Thailand	11,338	43,272	5,535	21,110
United States	213	1,008	1,001	475
<b>Total</b>	<b>14,806</b>	<b>54,873</b>	<b>7,722</b>	<b>25,842</b>

Source: Korea Customs Service (KCS)



## PRODUCTION AND CONSUMPTION

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

Year	Farms	Birds
2003	2,226	66,756
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

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
2003	943	1,003	938
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	1,860

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

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

Item	CY 2010		CY 2011	
	Average Cost	Component Ratio (%)	Average Cost	Component Ratio (%)
Feed	796	62	830	63
Chicks	334	26	300	23
Family Labor	39	3	49	4
Vet & Medicine	28	2	32	2
Water, Power, etc.	31	2	55	4
Other	63	5	50	4
Total	1,291	100	1,316	100
By Product	1	-	1	-
Cost Total	1,292	-	1,317	-

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
2002	33.5	8.5	17.0	8.0	11.3
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	41.1	10.7	19.2	11.2	11.7
2012 1/	42	11.4	19.3	11.3	12.1

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	2008	2009	2010	2011	2012 1/
Farm Price	1,567	1,936	1,913	1,860	1,740
Wholesale Price	2,739	3,431	3,529	3,461	3,311
Consumer Price	4,259	5,335	5,708	6,048	5,669

1/ Average price, January through June 2012

Source: National Agricultural Cooperative Federation

Korea: Farm Price for Chicken Meat

Commodity	Chicken Meat, Farm Price Unit: Korean Won per Kilogram				
	Year	2010	2011	2012	% Change comparing to previous year
Month					
Jan.	2,305	1,874	1,466		-22
Feb.	2,213	2,128	1,759		-17
Mar.	2,355	2,414	2,223		-8
Apr.	2,167	2,478	1,759		-29
May	1,703	1,544	1,562		1
Jun.	1,933	1,389	1,668		20
Jul.	2,043	1,910	1,757		-8
Aug.	1,783	1,870	-		5
Sep.	1,637	1,645	-		0
Oct.	1,647	1,770	-		7
Nov.	1,608	1,685	-		5
Dec.	1,564	1,586	-		1

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	2010	2011	2012	% Change comparing to previous year
Month					
Jan.	4,066	3,444	2,973		-14
Feb.	3,905	3,764	3,288		-13
Mar.	4,171	4,092	3,888		-5
Apr.	3,879	4,127	3,410		-17
May	3,260	3,268	3,124		-4
Jun.	3,610	3,061	3,185		4
Jul.	3,644	3,425	3,326		-3
Aug.	3,329	3,542	-		6
Sep.	3,144	3,229	-		3
Oct.	3,106	3,334	-		7
Nov.	3,144	3,225	-		3
Dec.	3,088	3,108	-		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	2010	2011	2012	% Change comparing to previous year
Month					
Jan.	5,550	5,518	5,160		-6
Feb.	5,594	6,612	5,606		-15
Mar.	5,915	6,983	6,317		-10
Apr.	6,246	6,911	5,949		-14
May	5,984	6,004	5,480		-9
Jun.	5,811	5,242	5,502		5
Jul.	6,210	5,972	5,925		-1
Aug.	5,909	6,314	-		6
Sep.	5,681	5,890	-		4
Oct.	5,263	5,751	-		8
Nov.	5,080	6,046	-		16
Dec.	5,250	5,357	-		2

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

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

Month	2010	2011	2012
Jan.	1138.82	1120.07	1145.85
Feb.	1157.08	1118.14	1123.35
Mar.	1137.64	1122.45	1125.90
Apr.	1117.11	1086.84	1135.55
May	1163.11	1083.54	1154.27
Jun.	1212.33	1081.27	1165.51
Jul.	1207.30	1059.50	-
Aug.	1179.92	1073.17	-
Sep.	1167.01	1118.61	-
Oct.	1123.45	1155.45	-
Nov.	1126.20	1132.31	-
Dec.	1147.55	1147.45	-

Source: Industrial Bank of Korea

TRADE MATRIX

Korea: Import Matrix for Chicken Meat 1/

Import Trade Matrix								
Country: Korea								
Commodity: Chicken Meat				Unit: MT & US\$1,000, RTC Basis				
Imports for	CY 2010		CY 2011		Jan.-Jun. 2011		Jan.-Jun. 2012	
Country	Vol	Val	Vol	Val	Vol	Val	Vol	Val
<b>U.S.</b>	54,745	69,539	86,395	127,318	49,958	67,876	32,784	56,168
<b>Others</b>								
Thailand	8,829	32,022	11,338	43,272	5,175	19,342	5,535	21,110
P.R.C.	4,246	14,170	3,255	10,593	1,985	6,481	1,186	4,257
Canada	0	0	0	0	0	0	0	0
Denmark	3,339	6,755	3,871	8,022	2,461	5,442	1,405	2,650
France	0	0	0	0	0	0	0	0
U.K.	0	0	0	0	0	0	0	0
Chile	176	478	574	1,853	134	450	176	495
Japan	26	28	0	0	11	12	0	0
Brazil	34,025	83,179	24,904	76,433	13,423	38,748	24,326	64,441
Australia	0	0	0	0	0	0	0	0
Other	417	493	613	999	234	493	350	428
<b>Total for Others</b>	51,058	137,125	44,555	141,172	23,423	70,968	32,978	93,381
<b>Grand Total</b>	105,803	206,664	130,950	268,490	73,381	138,844	65,762	149,549

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 & US\$1,000, RTC Basis				
Imports for	CY 2010		CY 2011		Jan.-Jun. 2011		Jan.-Jun. 2012	
	Vol	Val	Vol	Val	Vol	Val	Vol	Val
U.S.	0	1	0	0	0	0	0	0
Others								
Hong Kong	946	1,445	290	729	130	340	717	1,487
Japan	1,350	6,920	2,272	12,237	857	4,392	1,144	6,046
P.R.C.	4	44	0	0	0	0	14	63
Taiwan	394	1,373	415	1,665	153	597	131	549
Thailand	1	3	25	7	0	0	0	0
Vietnam	13,261	16,714	12,254	18,356	5,239	7,816	7,988	11,520
Iraq	0	0	0	0	0	0	0	0
Turkey	0	0	0	0	0	0	0	0
Australia	13	61	31	115	11	58	7	42
Russia	0	0	0	0	0	0	0	0
Other	22	110	59	323	46	105	36	234
<b>Total for Others</b>	15,991	26,670	15,346	33,432	6,436	13,308	10,037	19,941
<b>Grand Total</b>	15,991	26,671	15,346	33,432	6,436	13,308	10,037	19,941

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

Source: Korea Customs Service