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# **Korea, Republic of**

## **Dairy and Products**

### **Annual**

### **2000**

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**Report Highlights:** Korean per capita consumption of milk products increased by nearly 50 percent during the decade of the 1990's. This growth is expected to continue, though at a slower rate. A WTO ruling resulted in a lifting of quantity restrictions on imports of mixed dry milk. This has already reduced demand for higher priced locally produced NFDM. Domestic production of fluid milk continues to rise slowly, as numbers of farms fall, but cows per farm increase, reaching 40 in 1999. Consumer demand for cheese and ice cream continues to grow.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
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**SECTION I. SITUATION AND OUTLOOK - SOUTH KOREA**

Korea's per capita income is expected to reach \$10,000 in 2000, from about \$8,680 in 1999 as the economy remains strong. Foreign exchange reserves totaled a record \$90 billion as of the end of June 2000. Imports of consumer-ready food products from the U.S. into Korea have increased by 63 percent during January - August of this year compared to the same period of last year. The real GDP growth rate in Korea reached 11.1 percent in the first half of 2000, although the pace has slowed since, and is expected to average about 8.5 percent for the year.

Farmers continue to expand raw milk production as the management environment of dairy farming is improving. The relatively strong Korean currency has reduced the cost of imported feed resulting in improved rations, and increased milk production per cow. The number of dairy farms decreased by 8.6 percent, but the number of cows per farm increased to 39.4 heads from 38 heads in 1999. The Foot and Mouth Disease (FMD) outbreak in March of 2000 had minimal impact on supply and demand of dairy products.

In May 2000, the Korean government lifted restrictions on the import quantity for mixed dry milk after a World Trade Organization's (WTO) ruling in response to a panel case requested by the EU. Mixed dry milk is blended from NFDM, soy protein, and other ingredients. Accordingly, imports of mixed dry milk are expected to increase significantly in the future while demand for the more expensive local dry milk will drop substantially.

**1. Fluid Milk**

Raw milk production increased by 8.6 percent during the first 6 months of 2000, from the same period of last year, but raw milk consumption increased only by 3.4 percent, resulting in an excessive inventory of dried milk. In 1999, about 60 percent of locally-produced raw milk was consumed as fluid milk while the remainder was further processed.

**2. Cheese**

With on-going westernization in dietary culture, the Korean cheese market has been expanding. Family-style restaurants are given substantial credit for increasing demand for dairy products among the younger generation. Domestic cheese production of 14,019 MT in 1999 accounted for about 41% of the total consumption.

Total cheese imports increased significantly to \$47 million during January - August 2000, up 33 percent from \$35 million during the same period of last year. U.S. imports amounted to \$7.7 million during January - August 2000, up 54% from \$5 million during the same period of 1999. Imported US cheese accounted for 16 percent of total imports during Jan - August 2000. Australia and New Zealand continue to dominate the import market for cheese products.

### 3. Non Fat Dry Milk (NFDM)

There is an import quota of 800 metric tons for Non Fat Dry Milk (NFDM). Within the quota the tariff is 20% and out of the quota is 193.6%. Imported mixed dry milk substitutes for NFDM for use in bakery and confectionary industries. Most of NFDM is currently imported from Australia, New Zealand and EU.

The strong Korean currency accelerated imports of dairy products which are sold at good prices in the local market, resulting in pressure on the prices of locally produced dry milk. Imported mixed dry milk sells for \$2.70 - \$2.90 per kilogram (Exchange rate of 1,100 won per 1 US\$) in the market including tariff and other costs, compared to the production cost of \$5.80 per kilogram of locally produced dry milk.

Imports of mixed dry milk (HS Code 0404.90.0000 and 1901.90.2000) which is mixed with powdered milk and other ingredients for use in bakery and confectionary increased to 32,242 MT in 1996 from 3,217 MT in 1993. So the Korean government urgently had put a restriction on the import amount of mixed dry milk at 20,000 - 24,000 MT per year since 1997. In May 2000, the Korean government lifted restrictions on import quantity for mixed dry milk after the World Trade Organizations' (WTO) ruling. There are two tariffs (HS Code 0404.90.0000 and 1901.90.2000) for mixed dry milk, one (HS Code 0404.90.0000) is scheduled to decline by 1.1% annually to 36% in 2004 from the current 40.6% and the other by 0.4% annually to 36% in 2004 from the current 37.6%.

Weak demand for higher priced locally produced NFDM, and the increasing imports of mixed dry milk is expected to result in an inventory increase of local NFDM, and a corresponding decrease in the price.

### 4. Other Dairy Products

**Ice-Cream:** There are 10 premium ice cream companies (8 U.S. companies, 1 Swiss and 1 Korean) in the Korean market, accounting for 10 percent of the whole ice-cream market. The size of ice cream market was \$820 million in 1999. Premium ice cream sales are expected to continue to increase considerably in the foreseeable future. Fast economic recovery and consumers' increased income help expand the premium ice cream market. Premium ice cream companies increased to 10 companies in 2000 - as the sector grows again after only 3 - 4 companies survived the 1997 economic crisis in Korea.

U.S. ice cream entered the Korea market in 1986 and have enjoyed a very strong position among imported ice cream with good prospects to increase. U.S. ice cream is recognized by the consumers as good quality, a wide variety and high nutritional value. On the other hand U.S. ice cream is more expensive than locally manufactured ice cream.

Ice-cream imports increased to \$3.6 million during January - August 2000, up 13 percent from \$3.2 million during the same period of last year. U.S. ice-cream continues to dominate the import market,

accounting for 92 percent of total imports during January - August 2000.

## SECTION II. STATISTICAL TABLES

### 1. Supply and Demand for Raw Milk (1975 - 2000)

(When all dairy products converted into raw milk)

Unit: 1,000 MT

		1975	1980	1985	1990	1995	1998	1999	2000*
Supply	Production (A)	163	458	1,011	1,754	1,998	2,027	2,244	2,438
Demand	Consumption (B)	162	412	991	1,879	2,143	2,299	2,752	2,906
Self Sufficiency Rate (A/B)(%)		100	111	102	93.3	93.2	88.1	81.5	83.8
Per Capita Consumption (Kg/Person)		4.6	10.8	23.8	42.8	47.8	49.2	58.6	60.0

\* Estimates

Source: Ministry of Agriculture & Forestry

### 2. Mixed Dry Milk Imports (HS:0404.90.0000 & 1901.90.2000)

Unit: MT

Year	1993	1994	1995	1996	1997	1998	1999	1999 Jan/Aug	2000 Jan/Aug
Imports	3,217	15,560	28,007	32,241	23,552	12,285	21,795	12,843	18,480

Source: Korea Customs Office

### 3. Competitiveness of Korea & U.S. Dairy Industry (1998)

	Unit	Korea(A)	U.S.(B)	Rate(%)A/B
Raw Milk Production Cost	Won/Kg	500	326	153.4
Production per head	Kg	6,099	7,713	0.79

Source: Ministry of Agriculture and Forestry

**PS&D Table: Fluid Milk**

Unit: 1,000 Metric Ton

<b>PSD Table</b>						
<b>Country:</b>	<b>K o r e a ,</b>					
	<b>Republic of</b>					
<b>Commodity:</b>	<b>Dairy, Milk,</b>					
	<b>Fluid</b>					
		<b>1999</b>		<b>2000</b>		<b>2001</b>
	Old	New	Old	New	Old	New
<b>Calendar Year Begin</b>		<b>01/1999</b>		<b>01/2000</b>		<b>01/2000</b>
Cows In Milk	248	247	248	248	0	248
Cows Milk Production	2063	2,244	2100	2,438	0	2510
Other Milk Production	0	0	0	0	0	0
<b>TOTAL Production</b>	<b>2063</b>	<b>2244</b>	<b>2100</b>	<b>2438</b>	<b>0</b>	<b>2510</b>
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
<b>TOTAL Imports</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL SUPPLY</b>	<b>2063</b>	<b>2244</b>	<b>2100</b>	<b>2438</b>	<b>0</b>	<b>2510</b>
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
<b>TOTAL Exports</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fluid Use Dom. Consum.	1420	1,292	1440	1710	0	1757
Factory Use Consum.	637	952	648	728	0	753
Feed Use Dom. Consum.	0	0	0	0	0	0
<b>TOTAL Dom. Consumption</b>	<b>2057</b>	<b>2244</b>	<b>2088</b>	<b>2438</b>	<b>0</b>	<b>2510</b>
<b>T O T A L</b>	<b>2057</b>	<b>2244</b>	<b>2088</b>	<b>2438</b>	<b>0</b>	<b>2510</b>
<b>DISTRIBUTION</b>						
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Cows in Milk: 1,000 heads

Source: Ministry of Agriculture &amp; Forestry

**PS & D Table: Cheese**

Unit: Metric Ton

PSD Table						
Country:	<b>K o r e a , Republic of</b>					
Commodity:	<b>Dairy, Cheese</b>					
		<b>1999</b>		<b>2000</b>		<b>2001</b>
	Old	New	Old	New	Old	New
<b>Calendar Year Begin</b>		<b>01/1999</b>		<b>01/2000</b>		<b>01/2000</b>
Beginning Stocks	369	369	570	1569	447	1524
Production	11670	14019	12830	15224	0	16000
Intra EC Imports	0	0	0	0	0	0
Other Imports	18000	21284	20000	29800	0	38740
TOTAL Imports	18000	21284	20000	29800	0	38740
<b>TOTAL SUPPLY</b>	<b>30039</b>	<b>35672</b>	<b>33400</b>	<b>46593</b>	<b>447</b>	<b>56264</b>
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	29469	34103	32953	45069	0	55264
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	29469	34103	32953	45069	0	55264
TOTAL Use	29469	34103	32953	45069	0	55264
Ending Stocks	570	1569	447	1524	0	1000
<b>TOTAL DISTRIBUTION</b>	<b>30039</b>	<b>35672</b>	<b>33400</b>	<b>46593</b>	<b>0</b>	<b>56264</b>
Calendar Yr. Imp. from U.S.	1936	1837	2130	3000	0	4500
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Source: Ministry of Agriculture &amp; Forestry

**Import Trade Matrix: Cheese**

Unit: Metric Ton

<b>Import Trade Matrix</b>			
<b>Country:</b>	<b>Korea, Republic of</b>		Units: MT
<b>Commodity:</b>	<b>Dairy, Cheese</b>		
<b>Time period:</b>	<b>CY99</b>	<b>Jan-August 00</b>	
<b>Imports for</b>	<b>1999</b>		<b>2000</b>
U.S.	1837	U.S.	2093
Others		Others	
Australia	11,132		9,485
New Zealand	6014		6400
EU	650		732
Canada	1623		1270
<b>Total for Others</b>	19419		17887
<b>Others not listed</b>	28		49
<b>Grand Total</b>	21284		20029

Source: Ministry of Agriculture &amp; Forestry

## PS &amp; D Table: Non Fat Dry Milk (NFD)M)

Unit: Metric Ton

PSD Table						
Country:	<b>Korea, Republic of</b>					
Commodity:	<b>Dairy, Milk, Nonfat Dry</b>					
		<b>1999</b>		<b>2000</b>		<b>2001</b>
	Old	New	Old	New	Old	New
<b>Calendar Year Begin</b>		<b>01/1999</b>		<b>01/2000</b>		<b>01/2001</b>
Beginning Stocks	6189	7584	6680	3316	7545	6562
Production	17837	8164	18518	16509	0	19598
Intra EC Imports	0	0	0	0	0	0
Other Imports	2700	2842	2750	4260	0	6390
TOTAL Imports	2700	2842	2750	4260	0	6390
<b>TOTAL SUPPLY</b>	<b>26726</b>	<b>18590</b>	<b>27948</b>	<b>24085</b>	<b>7545</b>	<b>32550</b>
Intra EC Exports	0	0	0	0	0	0
Other Exports	208	7	211	230	0	460
TOTAL Exports	208	7	211	230	0	460
Human Dom. Consumption	19838	15267	20192	17293	0	23090
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	19838	15267	20192	17293	0	23090
TOTAL Use	20046	15274	20403	17523	0	23550
Ending Stocks	6680	3316	7545	6562	0	9000
<b>TOTAL DISTRIBUTION</b>	<b>26726</b>	<b>18590</b>	<b>27948</b>	<b>24085</b>	<b>0</b>	<b>32550</b>
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Source: Ministry of Agriculture &amp; Forestry

**Export Trade Matrix: NFDM**

Unit: Metric Ton

<b>Export Trade Matrix</b>			
<b>Country:</b>	<b>Korea, Republic of</b>	Units:	MT
<b>Commodity:</b>	<b>Dairy, Milk, Nonfat Dry</b>		
<b>Time period:</b>	<b>CY99</b>		<b>Jan - August00</b>
<b>Exports for</b>	<b>1999</b>		<b>2000</b>
U.S.	0	U.S.	0
Others		Others	
Japan	7	Japan	108
		New Zealand	45
<b>Total for Others</b>	7		153
<b>Others not listed</b>			
<b>Grand Total</b>	7		153

Source: Ministry of Agriculture &amp; Forestry

**Import Trade Matrix: NFDM**

Unit: Metric Ton

<b>Import Trade Matrix</b>			
<b>Country:</b>	<b>Korea, Republic of</b>	<b>Units:</b>	<b>MT</b>
<b>Commodity:</b>	<b>Dairy, Milk, Nonfat Dry</b>		
<b>Time period:</b>	<b>CY99 &amp;</b>		<b>Jan-August00</b>
<b>Imports for</b>	<b>1999</b>		<b>2000</b>
U.S.	0	U.S.	35
Others		Others	
Australia	856	Australia	755
New Zealand	657	New Zealand	389
EU	1277	EU	629
<b>Total for Others</b>	2790		1773
<b>Others not listed</b>	52		35
<b>Grand Total</b>	2842		1843

Source: Ministry of Agriculture & Forestry

