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Report Highlights: In 2003, broiler production and imports of chicken cuts are expected to increase slightly from 2002 levels to support the continuing trend of increasing poultry meat consumption. In 2002, production of broilers in Korea sharply increased. In 2003, Korea's market for imported chicken is expected to be dominated again by the U.S. if the U.S. continues to offer price competitive chicken legs. In 2002, poultry imports, mainly chicken legs, are projected to reach nearly 20 percent of domestic production.

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Includes Trade Matrix: Yes
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I. Situation and Outlook

Local Situation

In 2003, broiler production and imports of chicken cuts are expected to increase slightly from 2002 levels to support the continuing trend of increasing poultry meat consumption. In response to declines in farm prices in mid-2002, the Korean government will increase efforts to promote consumption of chicken meat. The Korean government has also undertake initiatives to encourage farmers produce larger birds to improve competitiveness in export markets. Exports of chilled chicken cuts to neighboring countries such as Japan and Hong Kong will also be encouraged.

Unlike red meat, per capita consumption of chicken meat in Korea still remains at a relatively low level. Aggressive promotion of chicken meat and introduction of new recipes capitalizing on the healthy and nutritious image of chicken meat and growing preference among young people is expected to continue to attract more consumers. As part of this effort, in August 2002, the Ministry of Agriculture & Forestry (MAF) announced a plan to extend the grading system to domestic chicken meat and eggs effective in 2003. The plan aims to provide accurate product information including grading and producer to consumers. It is expected that details about the program will be issued shortly.

In 2002, production of broilers in Korea sharply increased. To date, the total number of slaughtered birds has reached 394 million; a 15 percent increase compared to 2001. Expectations among producers of even better prices fueled by increased consumption of poultry meat during the 2002 World Cup games in Korea may have played a role in encouraging producers to expand production. Despite the effect on demand of the World Cup soccer events and a shift to poultry meat from red meat consumption following an outbreak of Foot & Mouth Disease in Korea, producers' expectations appear to have been overly optimistic. As a result, local broiler prices decreased sharply in June in response to excessive local production. The domestic chicken industry, lead by integrated producers, is trying to prop up broiler prices by slaughtering broiler chicks and purchasing chicken meat for storage. However, as of September, 2002, broiler prices have not recovered to last year's levels.

Exports

Although unlikely to have any dramatic effect on 2003 exports, Korea is undertaking initiatives to expand chicken exports to 10,000 MT by 2005 and 60,000 MT by 2010. Partially in response to the large supply (and resulting low prices) of chicken meat in 2002, the Korean Poultry Association and the Korean government have been encouraging exports of chilled chicken meat to Japan and Hong Kong. The current export volume is not significant (around 1,600 MT annually) but the government is aggressively promoting exports of chilled chicken legs and wings along with some cooked chicken soup with advantage of close location, quality, and price competitiveness over Chinese products.

Imports & Competitors

In 2003, Korea's market for imported chicken is expected to be dominated again by the U.S. if the U.S. continues to offer price competitive chicken legs. According to traders, price is the key factor in their business decisions regardless of origin. However, the extent of processing also is important. For example, although

chicken legs from Thailand are 50 percent more expensive than U.S. chicken legs, extra processing make the Thai legs a viable option for Korean importers.

Korean importers claim Thai cuts are clean and have uniform quality and thus no labor is needed prior to supplying Korean end users. In contrast, Korean importers say U.S. chicken legs need additional trimming which generates additional cost for importers. As a result, traders always take labor costs and import prices into consideration when deciding whether to buy U.S. or Thai chicken legs. Imported chicken cuts will continue to be competitive with domestic chicken cuts reflecting the higher domestic production cost. Price comparison and production cost tables are included in this report for additional detail.

In 2002, poultry imports are projected to reach nearly 20 percent of domestic production. Imports have been strong as import prices of chicken cuts remain very competitive. The U.S. has been dominating the market to for chicken meat imports and currently accounts for over 70 percent of market share. Thailand has continued aggressive marketing efforts to obtain a portion of the market. In 2002, the market share of U.S. chicken has been increasing due to price competitiveness of U.S. chicken legs.

China, which was the biggest supply of chicken meat to Korea prior to an outbreak of High Pathogenic Avian Influenza in 1997 and 2001, has not been able to recapture its market share. Korean importers are rather reluctant to risk importing Chinese chicken as it is known to cause some sanitary problems from time to time. Also, the Chinese government finds the Korean market less attractive due to rigorous import quarantine inspection.

Distribution

Chicken meat is all imported as frozen meat (predominantly leg parts). Korea consumes imported chicken cuts in the food service sector (e.g. seasoned chicken dishes) and in the processed food sector producing further processed products for retail distribution. Domestic chicken are usually marketed as a chilled whole birds or cuts for the food service sectors (e.g. fried chicken) and retail markets for home use. The domestic integrated chicken industry also use imported chicken cuts for further processed products taking advantage of the lower prices for imported product and constant supply compared to domestic cuts.

Sanitary and Phytosanitary Issues

Export Health Certification

In April 2002, Korea began detaining U.S. poultry product shipments on the grounds that export health certificates issued by USDA's Food Safety Inspection Service (FSIS) had administrative errors or the product was destined for a third country and carried the third country label. In total, 47 shipments were detained in port awaiting clarification from FSIS. The shipments have since been released but the situation remains officially unresolved. In the meantime, U.S. exporters are encouraged to take a careful look at export health certificates for administrative errors and avoid using third country labels with labeling on languages other than Korean and English.

Avian Influenza

The United States experienced occurrences of low pathogenic avian influenza (AI) during 2002. Korea did not take any restrictive action on U.S. poultry per international practice until outbreaks in New York in August. On August 7, Korea banned imports (“suspended loading”) of U.S. poultry as a result of an outbreak of low pathogenic AI in New York. Other countries’ restrictions (Japan, Mexico, Russia) in response to the outbreaks, were cited as creating pressure for Korean officials to ban U.S. imports. The U.S. government provided Korea with relevant information and the import ban was lifted on August 16.

Although local media did not report the news of AI outbreaks in U.S. poultry. As a result, public awareness of the incident was very minimal. However, past experience has shown that such incidents can be sensationalized in the local media creating concern among consumers about the safety of the product.

Useful website for Korean statistical information

For animal statistics, www.maf.go.kr

For price information, www.nacf.co.kr

For production forecast, www.krei.or.kr

II. PS&D for Broilers

PSD Table						
Country	Korea, Republic of					
Commodity	Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	51	51	52	54	0	54
Slaughter (Reference)	406	443	410	487	0	497
Beginning Stocks	5	0	5	0	5	0
Production	408	413	413	433	0	440
Whole, Imports	0	0	0	0	0	0
Parts, Imports	80	83	85	95	0	98
Intra EC Imports	0	0	0	0	0	0
Other Imports	80	83	85	95	0	98
TOTAL Imports	80	83	85	95	0	98
TOTAL SUPPLY	493	496	503	528	5	538
Whole, Exports	0	0	0	0	0	0
Parts, Exports	2	2	3	3	0	3
Intra EC Exports	0	0	0	0	0	0
Other Exports	2	2	3	3	0	3
TOTAL Exports	2	2	3	3	0	3
Human Consumption	486	494	495	525	0	535
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	486	494	495	525	0	535
TOTAL Use	488	496	498	528	0	538
Ending Stocks	5	0	5	0	0	0
TOTAL DISTRIBUTION	493	496	503	528	0	538
Calendar Yr. Imp. from U.S.	46	49	48	67	0	69

III. Production and Consumption Tables

Korea: Broiler Inventories 1/

(Unit: 1,000 birds)

Year	Farms	Birds
1990	3,547	26,935
1995	2,544	33,075
2000	2,013	45,000
2001	2,154	45,660
2002 2/	3,126	72,193

1/ End of year inventories

2/ As of June, 2002

Source: Ministry of Agriculture & Forestry

Korea: Broiler Productivity 1/

Year	Daily Gains (Gram)	Feeding Days	Average Weight (Kilogram)
1980	28.9	65.0	N/A
1985	33.3	55.5	N/A
1990	38.0	48.2	N/A
1995	38.4	44.3	N/A
2000	39.4	38.8	1.53
2001	40.5	36.8	1.49

Source: National Agricultural Product Quality Management Service

Korea: Production Costs of Broilers 1/

(Korean Won per Kilogram in live weight)

Year	Operating Cost	Production Cost	Farm Price
1980	741	829	834
1985	831	907	961
1990	850	968	1,018
1995	919	1,046	1,242
2000	890	959	1,187
2001	988	1,052	1,397

1/ Calculated on calendar year basis since 1998.

Production cost equals operating cost plus family labor and interest charges on loans.

Source: National Agricultural Product Quality Management Service

Korea: Production Cost of Broilers

(Korean Won per kilogram in live weight)

Item	CY 2000		CY 2001	
	Average cost	Component ratio	Average cost	Component ratio
Feed	494	51	533	50
Chicks	244	25	294	28
Family Labor	61	6	55	5
Vet & Medicine	37	4	39	4
Water, Power, etc.	43	4	44	4
Other	87	10	94	9
Total	966	100	1,059	100
By Product	7		7	
Cost Total	959		1,052	

Source: National Agricultural Product Quality Management Service

Korea: Per Capita Consumption of Livestock Products

(Unit: Kilogram, boneless basis)

Year	Total Meat	Beef	Pork	Chicken	Egg
1995	27.5	6.7	14.8	6.0	10.1
1997	29.3	7.9	15.3	6.1	10.4
1999	30.5	8.4	16.1	6.0	9.9
2000	31.9	8.5	16.5	6.9	10.3
2001	32.2	8.1	16.8	7.3	11.1

Source: Ministry of Agriculture & Forestry

IV. Price Tables

Korea: Year Average Broiler Prices

(Korean Won/Kg, boneless basis)

Year	1995	2000	2001	2002 2/
Farm price 1/	1,242	1,187	1,397	1,328
Wholesale price	2,088	2,356	2,528	2,411
Consumer price	2,934	3,007	3,227	2,927

1/ Live weight

2/ Average price, January through July, 2002

Source: National Agricultural Cooperative Federation

Korea: Farm Price for Chicken Meat

Commodity	Chicken Meat, Farm Price Unit: Korean Won per Kilogram		
Year	2001	2002	% Change
Month			comparing to previous year
Jan.	1,329	1,534	15%
Feb.	1,413	1,331	-5%
Mar.	1,815	1,610	-11%
Apr.	1,738	1,511	-13%
May	1,243	1,371	10%
Jun.	1,192	993	-16%
Jul.	1,382	946	-31%
Aug.	1,424		
Sep.	1,148		
Oct.	1,351		
Nov.	1,376		
Dec.	1,377		

Source: National Agricultural Cooperative Federation

Korea: Wholesale Price for Chicken Meat

Commodity	Chicken Meat, Wholesale Price Unit: Korean Won per Kilogram		
Year	2001	2002	% Change
Month			comparing to previous year
Jan.	2,367	2,726	15%
Feb.	2,582	2,416	-6%
Mar.	3,100	2,826	-8%
Apr.	3,058	2,659	-13%
May	2,381	2,504	5%
Jun.	2,259	1,930	-14%
Jul.	2,484	1,814	-26%
Aug.	2,541		
Sep.	2,136		
Oct.	2,416		
Nov.	2,472		
Dec.	2,507		

Source: National Agricultural Cooperative Federation

Korea: Consumer Price for Chicken Meat

Commodity	Chicken Meat, Consumer Price Unit: Korean Won per Kilogram		
Year	2001	2002	% Change
Month			comparing to previous year
Jan.	2,853	3,213	12%
Feb.	3,078	3,114	1%
Mar.	3,354	3,125	-6%
Apr.	3,418	3,073	-10%
May	3,305	2,960	-10%
Jun.	3,244	2,484	-23%
Jul.	3,443	2,522	-26%
Aug.	3,474		
Sep.	3,160		
Oct.	3,118		
Nov.	3,100		
Dec.	3,137		

Source: National Agricultural Cooperative Federation

Price Comparison

(Unit: Korean Won per Kilogram)

Cuts	Domestic 1/	Imports 2/	
		U.S.	Thailand
Leg	3,300	1,003	1,676
Wing	3,660	1,162	1,883
Breast	3,760	-	1,908

1/ Chilled products, retail prices on June 29, 2002

2/ CIF Basis, average price of June 2002

Source: Korea Chicken Association and Korea Customs Service

Korea: Monthly Average Foreign Exchange Rate

(Unit: Korean Won / 1U\$)

Month	2001	2002
January	1272.82	1317.60
February	1252.44	1318.72
March	1288.43	1322.51
April	1325.55	1318.93
May	1298.46	1266.06
June	1293.83	1223.47
July	1302.60	1185.12
August	1285.39	1138.90
September	1293.70	1200.50 1/
October	1302.60	
November	1284.00	
December	1289.66	

1/ Exchange rate on September 2

Source: Korea Financial Telecommunication & Clearings Institute

V. Trade Matrix

Import Matrix for Chicken Meat 1/

Import Trade Matrix				
Country: Korea				
Commodity: Chicken Meat			Unit: MT & U\$1,000, RTC basis	
Imports for	CY 2001		Jan. - Jun., 2002	
Country	Vol	Val	Vol	Val
U.S.	48,872	43,725	35,314	32,754
Others				
Thailand	30,095	46,956	13,735	23,473
Canada	0	0	371	333
P.R.C.	3,657	5,635	280	466
Denmark	340	389	77	107
Other	411	534	247	617
Total for Others	34,503	53,514	14,710	24,996
Grand Total	83,375	97,239	50,024	57,750

1/ HS0207.1X..XXXX plus HS1602.32.XXXX

Source: Korea Customs Service