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## Korea, Republic of

### Poultry and Products

### Annual

### 2005

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**Report Highlights:**

In 2006, broiler production is expected to increase slightly compared to 2005. Barring additional outbreaks of HPAI, imports in 2006 are forecast to increase 27 percent by volume to 70,000 metric tons. As prices continue to decline, it is expected that consumption will return to the level prior to the outbreaks of HPAI in the United States and Asian countries. Denmark is the main competitor for the United States in this market; however, competition from Brazil is expected in the near future as Brazil has recently entered the market.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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## Situation and Outlook

### Local Situation

In 2006, broiler production is expected to increase slightly compared to 2005. Record high farm gate prices for broilers and the low availability of imported chicken products during 2005 led to an increase in broiler chick production.

Since June 2005, the resumption of U.S. chicken exports and over production of local broilers significantly reduced farm gate prices. Subsequently, there is a great deal of concern about the excessive local production of broilers.

Traders enthusiastically imported U.S. poultry as soon as the market re-opened and it now appears that there is an over supply. As a result, the prices that traders can receive for these products are relatively low. Traditionally, prices also drop in August after the peak summer consumption period. An increase in consumption is unlikely because the prices consumers are paying at retail and foodservice outlets have not been reduced. In addition, consumers perceive chicken as a snack food and, unlike red meat, poultry is considered an optional protein source.

When purchasing poultry, most consumers prefer smaller whole chickens, which are more suitable for Korean dishes.

The Ministry of Agriculture & Forestry (MAF) introduced a voluntary HACCP Certification program to animal feed plants beginning January 1, 2005. This is to ensure sanitary conditions and the safety of livestock products by eliminating any potential hazard from entering into animal feed. As of July 2005, nine animal feed plants have completed and received HACCP certification.

In June 2005, MAF and the Ministry of Maritime Affairs and Fisheries (MOMAF) announced a plan to set up an agriculture, livestock, and fishery products safety information system. This project aims to make or improve 36 information systems starting from this year through 2009. In 2006, a food safety information portal service will be developed for consumers and producers providing easy access to food safety information. In 2009, a food safety alert system will be set up to minimize any damage caused by food safety related incidents. Through the above mentioned safety systems, consumers can find information about farms including a history of violations. This information will be available anywhere food products are purchased.

On July 22, 2005, MAF announced a proposed revision to the Livestock Products Processing Treatment Act. This proposal includes 1) extension of HACCP from the farm to the table (currently HACCP is mandatory for slaughter plants and voluntary for processing plants, livestock packing facilities, storages, and sellers), 2) the legal basis to require poultry meat sold in the market to be packaged (this will help consumers distinguish between domestic products and imported products), 3) an introduction of an appeal system for government rulings on inspections of livestock products including imported products, and 4) an introduction of risk assessments for livestock products. Once this proposed Act passes the National Assembly, details will be announced through decrees and ordinances. MAF aims to complete the revision process this year.

Consumer education and extensive promotional efforts by the Korean government and local poultry associations significantly reduced consumers' concerns about the safety of chicken meat since the HPAI outbreaks.

Use of Antibiotics, Growth Hormones, Feed Additives, Etc.

Korea allows the use of veterinary drugs such as antibiotics and feed additives. However, on May 1, 2005, Korea begin enforcing a new requirement that reduced the number of feed additives permitted for use in mixed animal feed from 53 to 25 in order to improve the safety of livestock products. Veterinary drugs that are banned for use in Korea should not be detected in any meat products, including imported meat.

The maximum residue levels (MRLs) of antibiotics and pesticides in poultry products are established by the Korea Food & Drug Administration (KFDA). Details can be found on KFDA's website at [www.kfda.go.kr](http://www.kfda.go.kr). KFDA also provides an English translation of pesticide MRLs in poultry meat products on its English website.

**Exports**

After regaining HPAI-free country status, Korea now can export poultry products. However, the total export volume is not significant (around 736 MT in 2004 and 1,024 MT through June 2005). Japan lifted the import ban imposed on Korean poultry products due to the HPAI on March 24, 2005. It is expected that Korean poultry exports will slightly increase to Japan and to other Asian countries while exports from Thailand and China continue to be blocked due HPAI.

**Imports & Competitors**

Barring additional outbreaks of HPAI, imports in 2006 are forecast to increase 27 percent by volume to 70 thousand metric tons. As the price continues to decline, it is expected that consumption will return to the level prior to the outbreaks in the U.S. and Asia. The European Union is the main competitor for the United States in this market; however, it is likely that Brazil become a competitor in the Korean market in the near future.

On April 2, 2005, Korea approved four Brazilian poultry plants eligible to export to Korean. According to traders, a few containers of Brazilian chicken wings and boneless meat arrived in Korea as a trial shipment in August 2005. This shipment is currently under quarantine inspection. If these products receive a positive response from the market, traders expect that Brazilian chicken meat will replace well trimmed boneless chicken meat imports from Thailand and China as both countries are not expected to return to the Korean market in the near future due to sporadic outbreaks of HPAI. Despite the entrance of Brazil, the United States is expected to remain a leading supplier of bone-in leg products.

Denmark is expected to continue to supply wing parts to Korean fried chicken restaurants because of its price competitiveness despite the fact that many importers switched to the United States as soon as they could due to irregular quality and the high prices of EU poultry meat. Imported chicken cuts will continue to be competitive with domestic chicken cuts because of high domestic production costs. Price comparisons and production cost tables are included in this report for additional detail.

Quality concerns raised by traders and end users regarding U.S. products are increasing. According to traders, the quality of U.S. products is not as good as it was prior to the outbreak of HPAI. Losses caused during the course of thawing have increased and the quality of U.S. thigh products does not seem to meet the Korean demand. If such problems continue, it could erode the image of quality of U.S. products.

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

Approved Suppliers	Items
United Kingdom, Denmark, France, Australia, New Zealand, and Taiwan	Poultry birds, hatching eggs, day old chicks
Denmark, United Kingdom, Taiwan, France, Australia, Brazil, Japan, Hungary, and United States	Fresh, chilled, or frozen poultry meat
Denmark, United Kingdom, Taiwan, France, Australia, Brazil, Japan, Hungary, Thailand, China, and United States	Heat-treated poultry meat

2005 Chicken Imports Data per Parts on Quarantine Inspection Basis  
(Unit: MT)

Parts	Country	Jan.–Jun.	July	Aug. 1-20	Jan-Aug.20	
Chilled	Breast	Australia	0.01	0	0	0.01
	Legs	Australia	0.01	0	0	0.01
Frozen	Breast	<b>US</b>	<b>0</b>	<b>39</b>	<b>18</b>	<b>57</b>
		Australia	0.3	0	0	0.3
	Wings	US	0	46	24	70
		Denmark	4,844	384	384	5,612
		UK	664	0	0	664
		France	880	0	0	880
	Legs	<b>US</b>	<b>1,349</b>	<b>8,616</b>	<b>5,617</b>	<b>15,582</b>
		Denmark	10,983	199	24	11,206
		UK	1,502	0	0	1,502
		France	757	0	0	757
		Australia	1	0	0	1
	Whole	<b>US</b>	<b>0</b>	<b>23</b>	<b>0</b>	<b>23</b>
Denmark		239	0	0	239	
<b>Total (Jan – Aug. 20, 2005)</b>		<b>US</b>				<b>15,732</b>
		Denmark				17,057
		France				1,637
		UK				2,166
		Australia				1.32
		Total				36,593.32

Source: National Veterinary Research & Quarantine Service

### Distribution

Almost all imported chicken meat is frozen meat (predominantly leg and wing parts). Korea consumes imported chicken cuts mainly in the food service sector (e.g. seasoned chicken dishes, chicken nuggets, seasoned wings, patties, etc.) and in the processed food sector producing further processed products for retail distribution. Local chicken is usually marketed as chilled whole birds and cuts for the food service sectors (e.g. fried chicken) and to retail markets for home use. Chicken meat derived from layers is mostly used as raw ingredients in further processed products such as sausages, hams, etc. According to the local poultry association, 20 million layers are used for further processed products annually. The domestic chicken industry also uses 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

As of April 14, 2005, Korea removed an import ban placed on U.S. chilled and frozen poultry products in place since February 24, 2004 after confirmation of an outbreak of HPAI in Texas. Prior to this, Korea lifted import bans on U.S. live poultry birds, pet birds, wild birds, ostriches, etc. on September 3, 2004. To date, all U.S. live poultry and poultry meat products (both chilled and frozen) are allowed for imports from 49 states. Due to a recent outbreak of Low Pathogenic Avian Influenza (LPAI) in the state of New York, beginning June 10, 2005, a temporary import suspension on poultry and poultry products (including articles such as meat, pet birds, eggs for consumption, etc.) is still in place. This suspension also affects products that have been transshipped through the state of New York, unless shipped in sealed and/or airtight containers.

### Export Health Certification

All U.S. origin poultry products are required to be accompanied by an export health certificate issued by the Food Safety Inspection Service of the U.S. Department of Agriculture. For Korean exports, FSIS Form 9060-5 and 9305-2A shall be completed and submitted to the Korean authority for quarantine inspection. Details about the FSIS Export Health Certificate Form, etc. can be found on the USDA website at <http://www.fsis.usda.gov/Frame/FrameRedirect.asp?main=http://www.fsis.usda.gov/OFO/export/KOREASO.htm>. This website also provides guidance on other requirements for poultry product shipments destined to Korea.

The heat treatment requirements (heat treatment statement on the export health certificate) imposed on U.S. heat-treated poultry products after the outbreak of HPAI in the United States has been removed.

For U.S. live poultry, U.S. origin health certificates issued by the Animal Plant Health Inspection Service (APHIS) of the U.S. Department of Agriculture are required accompanied. For details, please contact Veterinary Service (VS) officers at APHIS regional offices stationed in each state.

### Exotic Newcastle Disease

Currently, there is no import restriction imposed on U.S. poultry and poultry products due to Exotic Newcastle Disease outbreaks.

### Useful websites for Korean statistical information:

For animal statistics, [www.maf.go.kr](http://www.maf.go.kr)  
For price information, [www.nacf.co.kr](http://www.nacf.co.kr)  
For production forecast, [www.krei.or.kr](http://www.krei.or.kr)  
For production cost, [www.naqs.go.kr](http://www.naqs.go.kr)  
For broiler market situation, [www.chicken.or.kr](http://www.chicken.or.kr)

## PS&amp;D FOR BROILERS

## PSD Table

Country Commodity	Korea, Republic of Poultry, Meat, Broiler						UOM
	2004		2005	Estimate	2006	Forecast	
Market Year Begin	USDA Official [	Revised Estimate[1]	A Official [	Estimate[1]	A Official [	Estimate[New]	
	01-2004		01-2005		01-2006		MM/YYYY
Inventory (Reference)	48	51	50	52	0	51	(MIL HEAD)
Slaughter (Reference)	477	501	487	521	0	531	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	420	432	429	450	0	459	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	30	32	60	55	0	70	(1000 MT)
Intra EC Imports	13	18	13	22	0	7	(1000 MT)
Other Imports	17	14	27	33	0	63	(1000 MT)
TOTAL Imports	30	32	60	55	0	70	(1000 MT)
TOTAL SUPPLY	450	464	489	505	0	529	(1000 MT)
Whole, Exports	0	1	0	0	0	1	(1000 MT)
Parts, Exports	0	0	1	1	0	1	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	1	1	1	0	2	(1000 MT)
TOTAL Exports	0	1	1	1	0	2	(1000 MT)
Human Consumption	450	463	488	504	0	527	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	450	463	488	504	0	527	(1000 MT)
TOTAL Use	450	464	489	505	0	529	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	450	464	489	505	0	529	(1000 MT)
Calendar Yr. Imp. from U	8	4	8	30	0	44	(1000 MT)

**PRODUCTION AND CONSUMPTION TABLES****Korea: Broiler Inventories** 1/

(Unit: 1,000 birds)

Year	Farms	Birds
1990	3,589	26,719
1995	3,601	43,412
2000	2,859	59,910
2001	3,016	66,742
2002	3,126	72,193
2003	2,226	66,756
2004	2,237	68,526
2005	2,678	88,137

1/ June Inventories

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

**Korea: Broiler Productivity**

Year	Daily Gain	Feeding Days	Average Weight (Kilogram)
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
2002	39.4	38.8	1.55
2003	38.30	36.97	1.40
2004	36.23	37.99	1.34

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

**Korea: Production Costs of Broilers**

(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
2002	951	1,010	1,155
2003	943	1,003	938
2004	1,026	1,085	1,415

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

**Korea: Production Cost of Broilers**

(Korean Won per Kilogram in Live Weight)

Item	CY 2003		CY 2004	
	Average Cost	Component Ratio	Average Cost	Component Ratio
Feed	551	55	568	52
Chicks	195	19	296	27
Family Labor	49	5	49	5
Vet & Medicine	36	4	32	3
Water, Power, etc.	39	4	35	3
Other	135	13	107	10
Total	1,005	100	1,087	100
By Product	2	-	2	-
Cost Total	1,003	-	1,085	-

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

**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
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 1/	32.3	7.0	17.5	7.8	10.3

1 / Preliminary forecast by the Korea Rural Economic Institute

Source: Ministry of Agriculture &amp; Forestry

**PRICE TABLES****Korea: Year Average Broiler Prices**

(Korean Won/Kg, boneless basis)

Year	2001	2002	2003	2004	2005 1/
Farm Price	1,397	1,155	938	1,415	1,736
Wholesale Price	2,528	2,149	1,850	2,475	2,863
Consumer Price	3,220	2,705	2,490	3,094	3,900

1/ Average price, January through July 2005

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

**Korea: Farm Price for Chicken Meat**

Commodity	Chicken Meat, Farm Price Unit: Korean Won per Kilogram				
	Year	2003	2004	2005	% Change comparing to previous year
Month					
Jan.	999	659	1,572	138	
Feb.	742	1,029	1,816	76	
Mar.	1,172	1,704	1,883	10	
Apr.	938	1,608	1,901	18	
May	930	1,432	1,855	29	
Jun.	693	1,286	1,517	17	
Jul.	753	1,548	1,611	4	
Aug.	1,246	1,825	1,079 1/	-40	
Sep.	1,042	1,350		29	
Oct.	973	1,520		56	
Nov.	938	1,557		65	
Dec.	833	1,318		58	

1 / August 29, 2005 Spot Price

Source: National Agricultural Cooperative Federation

**Korea: Wholesale Price for Chicken Meat**

Commodity	Chicken Meat, Wholesale Price Unit: Korean Won per Kilogram			
	2003	2004	2005	% Change comparing to previous year
Year				
Month				
Jan.	1,930	1,444	2,679	85
Feb.	1,532	1,988	2,940	47
Mar.	2,134	2,950	3,081	4
Apr.	1,869	2,824	3,097	9
May	1,862	2,537	2,994	18
Jun.	1,550	2,331	2,545	9
Jul.	1,673	2,631	2,707	2
Aug.	2,253	3,012	1,927 1/	-36
Sep.	2,011	2,405		19
Oct.	1,899	2,606		37
Nov.	1,845	2,638		42
Dec.	1,673	2,317		38

1/ August 29, 2005 Spot Price

Source: National Agricultural Cooperative Federation

**Korea: Consumer Price for Chicken Meat**

Commodity	Chicken Meat, Consumer Price Unit: Korean Won per Kilogram			
	2003	2004	2005	% Change comparing to previous year
Year				
Month				
Jan.	2,590	2,120	3,661	72
Feb.	2,537	2,263	3,902	72
Mar.	2,720	3,321	3,823	15
Apr.	2,455	3,147	3,872	23
May	2,462	3,222	4,034	25
Jun.	2,200	3,025	3,933	30
Jul.	2,209	3,366	4,073	21
Aug.	2,634	3,804	3,818 1/	-
Sep.	2,658	3,172		19
Oct.	2,565	3,291		28
Nov.	2,456	3,300		34
Dec.	2,408	3,082		27

1/ August 29, 2005 Spot Price

Source: Agricultural & Fishery Marketing Corporation

**Korea: Price Comparison**

(Unit: Korean Won per Kilogram)

Cuts	Domestic 1/	Imports 2/	
		U.S. 3/	Denmark 3/
Leg	4,042	1,604	1,868
Wing	6,065	-	2,741
Breast	4,042	-	

1/ Chilled products, average retail price between August 1 - 30, 2005

2/ Average prices between Jan. through June, 2005

3/ Frozen Bone-in products, CIF basis

Source: Korea Chicken Council & Korea Customs Service

**Korea: Monthly Average Foreign Exchange Rate**

(Unit: Korean Won / 1U\$)

Month	2003	2004	2005
Jan.	1179.46	1184.64	1038.32
Feb.	1191.27	1166.96	1022.69
Mar.	1233.68	1166.33	1007.28
Apr.	1231.51	1150.81	1011.00
May	1200.14	1177.01	1002.13
Jun.	1194.07	1158.54	1010.68
Jul.	1181.55	1158.12	1036.79
Aug.	1178.32	1158.96	1032.30 1/
Sep.	1166.03	1147.80	
Oct.	1166.04	1143.52	
Nov.	1185.21	1090.10	
Dec.	1192.85	1051.44	

1/ August 30, 2005 Spot Rate

Source: Industrial Bank of Korea

## TRADE MATRIX

## Korea: Import Matrix for Chicken Meat 1/

Import Trade Matrix								
Country: Korea								
<b>Commodity: Chicken Meat</b>					Unit: MT & U\$1,000, RTC Basis			
Imports for	CY 2003		CY 2004		Jan. - Jun. 2004		Jan. - Jun. 2005	
Country	Vol	Val	Vol	Val	Vol	Val	Vol	Val
<b>U.S.</b>	43,706	31,720	3,998	3,871	3,922	3,704	1,018	1,626
<b>Others</b>								
Thailand	43,943	61,228	8,534	15,827	6,746	11,415	2,893	7,175
P.R.C.	870	1,600	779	1,502	113	168	2,554	5,787
Canada	98	49	0	0	0	0	0	0
Denmark	146	181	15,274	29,178	24,99	4,404	16,083	32,562
France	0	0	2,750	4,185	64	190	1,653	2,720
U.K.	0	0	376	561	962	1,369	2,101	3,652
Germany	0	0	67	126			131	288
Japan	0	0	66	199			3	23
Other	74	173	4	5	66	99	0	2
<b>Total for Others</b>	45,131	63,231	27,850	51,593	10,450	17,645	25,418	52,309
<b>Grand Total</b>	88,837	94,951	31,848	55,464	14,372	21,349	26,436	53,935

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

Source: Korea Customs Service