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Report Highlights:

In 2007, local broiler production is expected to increase slightly compared to 2006 due to increase broiler chicken production and a sharp increase of imports of grand parental stocks. Competition from Brazil will be a major obstacle for U.S. chicken in maintaining leadership in the Korean chicken import market as Brazilian chicken receives a positive response from traders. The suspension of import inspection of U.S. poultry meat was lifted on August 29, 2006. To date, all U.S. live poultry and poultry meat products (both chilled and frozen) are allowed for importation.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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SITUATION AND OUTLOOK

Local Situation

In 2007, broiler production is expected to increase slightly compared to 2006 due to increased broiler chick production and a sharp increase of imports of grand parental stocks. An increase in broiler chick production resulted from strong farm gate prices in 2005 and that has continued in 2006. Consequently, there is concern about the excessive local production of broilers and the potential drop in farm gate prices in 2007.

Brazilian chicken imports, particularly de-boned chicken leg meat, are receiving favorable market response. Although the prices are higher than U.S. chicken legs, Brazilian chicken is quickly displacing frozen chicken imports from Thailand and China, and has become the main U.S. competitor in the Korean market.

On June 6, 2006, the Ministry of Agriculture & Forestry (MAF) announced a proposed revision to the Presidential Decree and the Ministerial Ordinance to the Livestock Products Processing Treatment Act to ensure "Farm to Table" safety of livestock products. The proposals include 1) extension of HACCP to animal production plants (currently HACCP is mandatory for slaughter plants and voluntary for processing plants, livestock packing facilities, storages, and sellers), 2) mandatory requirements for poultry meat sold in the market to be packaged (slaughtering plants, meat packers, seller, and importers will be subject to this requirement) 3) an introduction of risk assessments for livestock products. Mandatory packaging requirements for poultry products will be enforced first for slaughtering plants whose daily capacity is over 80,000 birds starting January 1, 2007 and full enforcement will start from January 1, 2008.

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. MAF wants feed that is free from 11 types of heavy metals and fungus, 27 kinds of agricultural chemicals, and 25 kinds of antibiotics that it regulates. MAF aims to expand HACCP certification to 50 plants by the end of 2006.

Local broiler associations plan to introduce a check off program but little progress is evident because of disagreements among interested groups. Along with progress of on-going Korea-US Free Trade Agreement negotiations and potential concerns with highly pathogenic avian influenza (HPAI), there is strong need for a check off program if the broiler industry is to achieve long term and stable development.

The Korean government and local poultry associations have continued with consumer education and extensive promotional efforts to reduce consumers' concerns about the safety of chicken meat due to the HPAI outbreaks.

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

Korea allows the use of veterinary drugs such as antibiotics and feed additives. Beginning May 1, 2005, however, the Ministry of Agriculture & Forestry (MAF) enforced 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. Criteria and permitted levels of harmful substances in animal feed are established by MAF. Details can be found on MAF's website at www.maf.go.kr.

The Korea Food & Drug Administration (KFDA) establishes maximum residue levels (MRLs) of antibiotics and pesticides in poultry products. Details can be found on KFDA's website at www.kfda.go.kr.

Exports

In 2007 exports will increase slightly. Currently, Korean chicken exports have increased although the total export volume is not significant (around 736 MT in 2004, 2,478 MT in 2005 and 1,413 MT through June 2006). Exports between January and June 2006 showed 37 percent increase compared to the same period of the previous year. Continued efforts to promote exports of whole chicken ginseng soup called "Samgyetang" in Japan and other Asian markets including Hong Kong and Taiwan contributed to Korea's expansion of chicken exports. Marketing efforts led by the Korean Poultry Industry Association will continue to expand Korean export markets in Asia taking advantage of HPAI concerns that have blocked exports from China and Thailand. In addition to Asian exports, Korea has been working together with the U.S. government to allow for exports of chicken ginseng soup to the United States.

Imports & Competitors

Because of the likelihood of over production of domestic chicken meat coupled with the resumption of U.S. beef imports to Korea, imports of chicken meat in 2007 are forecast only to increase slightly compared to the level in 2006, to 70 thousand metric tons. Competition from Brazil will be a major obstacle for U.S. chicken in maintaining leadership in the Korean chicken import market.

Imports of Brazilian chicken have been well received by traders. According to traders, Brazilian chicken parts, mainly bone-less chicken leg meat and wings meet their expectations for quality, specifications, size, packaging, etc. Therefore, Brazilian imports are quickly replacing market share once held by Thailand, which was the top supplier of well-trimmed bone-less chicken leg parts before the HPAI outbreaks in 2003. In May 2006, Korea approved three more Brazilian poultry plants for export to Korea. Currently, seven plants are eligible to export poultry products to Korea. According to industry sources, Brazil is interested in obtaining approval of additional poultry plants for Korean exports. As more Brazilian poultry plants are approved for export, the United States will face severe competition in exporting chicken products to Korea. Traders believe the future of Brazilian chicken products are quite promising as they satisfy Korean demand although U.S. chicken products are more price competitive than Brazilian products. Unless prices offered by the United States are significantly lower than those offered by Brazil, traders would remain interested in Brazilian products that do not require additional labor in order to meet the market demand. Exports from Brazil are expected to increase in 2007.

Since the outbreak of HPAI in China, exports of Chinese fresh, chilled, frozen chicken products have been banned. However, China can export heat-treated well-trimmed boneless chicken meat, which is used for skewed chicken dishes. This well trimmed chicken meat is competing with U.S. chicken legs as meeting Korean demand.

Imports from the United States in 2007, mainly frozen bone-in leg products, are expected to remain at the previous year level or slightly decrease as a result of imports of quality chicken products from Brazil and China. However, the United States is expected to remain a leading supplier of bone-in leg products with its price competitiveness.

Imports from Denmark, which was the second largest exporter in 2005, have been banned since May 2006 due to the outbreak of HPAI. However, Denmark is likely to apply for approval of resumption of chicken imports to Korea as soon as they are recognized as a HPAI free country. Denmark was a major supplier of leg and wing parts to Korean chicken restaurants.

Price comparisons per parts per countries are as follows:

Price Comparison (Unit: Korean Won per Kilogram) 5/

Cuts	Domestic 1/	Imports 2/		
		U.S. 3/	Brazil 4/	Denmark 3/
Leg	4,386	894	1,720	1,273
Wing	5,150	1,919	1,929	1,729
Breast	4,951	1,634	1,833	-

1/ Chilled products, average retail price between July 1 - 31, 2006

2/ Average CIF prices between Jan. through June 2006

3/ Frozen bone-in products (Mostly)

4/ Frozen Trimmed bone-less products (Mostly)

5/ Exchange rate (1\$=950 Korean won)

Source: Korea Chicken Council & Korea Customs Service

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

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

2006 Chicken Imports Data per Parts on Quarantine Inspection Basis

(Unit: MT)

Parts		Country	Jan. – Jun.	Jul. 1 - 20	Jan - Jul. 20
Chilled	No imports.				
Frozen	Breast	U.S.	23.9	0	23.9
		Brazil	488	51	539
		Australia	0.3	0	0.3
	Wings	U.S.	551	93	644
		Denmark	1,749	48	1,797
		Brazil	1,743	435	2,178
	Legs	U.S.	24,130	1,682	25,812
		Denmark	164	0	164
		Brazil	2,256	267	2,523
	Whole	U.S.	140	67	207
Total (Jan – Jul. 20, 2006)		U.S.	26,687		
		Denmark	1,961		
		Brazil	5,240		
		Australia	0.3		
		Total	33,888.3		

Source: National Veterinary Research & Quarantine Service

Distribution

Almost all imported chicken meat is frozen meat (predominantly leg, wing, and de-boned leg 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.

A recent survey released by the Ministry of Agriculture & Forestry shows that 37 percent of chicken is supplied to consumers through restaurants. 30.5 percent of chicken is supplied through mass catering institutes, 20.5 percent through butcher shops, and 11.7 percent are through large scale supermarkets.

Sanitary and Phytosanitary Issues

On August 15, 2006, Korea suspended import inspection of U.S. live poultry birds, pet birds, day old chicks, poultry hatching eggs, edible eggs, and poultry meat products (except for heat treated products) due to an outbreak of Avian Influenza (AI) in mute swan in the State of Michigan. After confirming the case is low pathogenic AI, Korea lifted the suspension of import inspection on August 29, 2006. To date, all U.S. live poultry and poultry meat products (both chilled and frozen) are allowed for importation.

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 (FSIS) 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/Regulations_&Policies/Republic_of_Korea_Requirements/index.asp. This website also provides guidance on other requirements for poultry product shipments destined to Korea and current information on which U.S. poultry products are eligible for export to Korea.

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

For price information, www.nacf.co.kr

For production forecast, www.krei.or.kr

For production cost, www.naqs.go.kr

For broiler market situation, www.chicken.or.kr

PS&D FOR BROILERS

PSD Table

Country Commodity	Korea, Republic of Poultry, Meat, Broiler						UOM
	2005	Revised	2006	Estimate	2007	Forecast	
Market Year Begin	USDA Official [Estimate[†]	A Official [Estimate[†]	A Official [Estimate[New]	
	01-2005		01-2006		01-2007	MM/YYYY	
Inventory (Reference)	52	64	51	67	0	69	(MIL HEAD)
Slaughter (Reference)	521	577	531	606	0	624	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	450	536	459	563	0	580	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	55	59	70	65	0	70	(1000 MT)
Intra EC Imports	22	24	7	4	0	5	(1000 MT)
Other Imports	33	35	63	61	0	65	(1000 MT)
TOTAL Imports	55	59	70	65	0	70	(1000 MT)
TOTAL SUPPLY	505	595	529	628	0	650	(1000 MT)
Whole, Exports	0	1	1	2	0	2	(1000 MT)
Parts, Exports	1	1	1	1	0	1	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	1	2	2	3	0	3	(1000 MT)
TOTAL Exports	1	2	2	3	0	3	(1000 MT)
Human Consumption	504	593	527	625	0	647	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	504	593	527	625	0	647	(1000 MT)
TOTAL Use	505	595	529	628	0	650	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	505	595	529	628	0	650	(1000 MT)
Calendar Yr. Imp. from U	30	21	44	39	0	39	(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
2006	2,016	84,279

1/ June Inventories

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

Korea: Broiler Productivity

Year	Daily Gain (Gram)	Feeding Days (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
2005	37.64	36.73	1.38

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
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
2005	953	1,008	1,440

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

Korea: Production Cost of Broilers

(Korean Won per Kilogram in Live Weight)

Item	CY 2004		CY 2005	
	Average Cost	Component Ratio	Average Cost	Component Ratio
Feed	568	52	521	52
Chicks	296	27	279	28
Family Labor	49	5	47	5
Vet & Medicine	32	3	27	2
Water, Power, etc.	35	3	40	3
Other	107	10	97	10
Total	1,087	100	1,011	100
By Product	2	-	3	-
Cost Total	1,085	-	1,008	-

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
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	31.9	6.6	17.8	7.5	12.1
2006 1/	33.2	7.4	17.5	8.3	10.7

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	2002	2003	2004	2005	2006 1/
Farm Price	1,155	938	1,415	1,440	1,266
Wholesale Price	2,149	1,850	2,475	2,469	2,267
Consumer Price	2,705	2,490	3,094	3,765	3,628

1/ Average price, January through July 2006

Source: National Agricultural Cooperative Federation

Korea: Farm Price for Chicken Meat

Commodity	Chicken Meat, Farm Price Unit: Korean Won per Kilogram				
	Year	2004	2005	2006	% Change comparing to previous year
Month					
Jan.	659	1,572	1,340		-14
Feb.	1,029	1,816	1,301		-28
Mar.	1,704	1,883	1,580		-16
Apr.	1,608	1,901	1,204		-36
May	1,432	1,855	945		-49
Jun.	1,286	1,517	1,151		-24
Jul.	1,548	1,611	1,339		-16
Aug.	1,825	1,308	1,428 1/		9
Sep.	1,350	857			-36
Oct.	1,520	914			-39
Nov.	1,557	801			-48
Dec.	1,318	1,337			1

1 / August 1, 2006 Spot Price

Source: National Agricultural Cooperative Federation

Korea: Wholesale Price for Chicken Meat

Commodity	Chicken Meat, Wholesale Price Unit: Korean Won per Kilogram			
	2004	2005	2006	% Change comparing to previous year
Year				
Month				
Jan.	1,444	2,679	2,382	-11
Feb.	1,965	2,940	2,318	-21
Mar.	2,939	3,081	2,697	-10
Apr.	2,822	3,097	2,180	-29
May	2,531	2,994	1,822	-39
Jun.	2,330	2,545	2,091	-17
Jul.	2,646	2,707	2,378	-12
Aug.	2,996	2,296	2,436 1/	6
Sep.	2,398	1,668		-30
Oct.	2,608	1,787		-31
Nov.	2,641	1,582		-40
Dec.	2,322	2,362		1

1/ August 1, 2006 Spot Price

Source: National Agricultural Cooperative Federation

Korea: Consumer Price for Chicken Meat

Commodity	Chicken Meat, Consumer Price Unit: Korean Won per Kilogram				
	Year	2004	2005	2006	% Change comparing to previous year
Month					
Jan.		2,120	3,661	3,604	-1
Feb.		2,263	3,902	3,406	-12
Mar.		3,321	3,823	3,669	-4
Apr.		3,147	3,872	3,432	-11
May		3,222	4,034	3,532	-12
Jun.		3,025	3,933	3,756	-4
Jul.		3,366	4,073	3,996	-1
Aug.		3,804	4,018	4,296 1/	6
Sep.		3,172	3,652		15
Oct.		3,291	3,447		4
Nov.		3,300	3,297		-
Dec.		3,082	3,506		13

1/ August 1, 2006 Spot Price

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

Korea: Monthly Average Foreign Exchange Rate

(Unit: Korean Won / 1U\$)

Month	2004	2005	2006
Jan.	1184.64	1038.32	987.07
Feb.	1166.96	1022.69	970.18
Mar.	1166.33	1007.28	975.09
Apr.	1150.81	1011.00	954.44
May	1177.01	1002.13	941.40
Jun.	1158.54	1010.68	955.16
Jul.	1158.12	1036.79	950.15
Aug.	1158.96	1020.96	957.90 1/
Sep.	1147.80	1029.23	
Oct.	1143.52	1045.89	
Nov.	1090.10	1041.51	
Dec.	1051.44	1024.42	

1/ August 2, 2006 Spot Rate

Source: Industrial Bank of Korea

TRADE MATRIX

Korea: Import Matrix for Chicken Meat 1/

Import Trade Matrix								
Country: Korea								
Commodity: Chicken Meat					Unit: MT & U\$1,000, RTC Basis			
Imports for	CY 2004		CY 2005		Jan. - Jun. 2005		Jan. - Jun. 2006	
Country	Vol	Val	Vol	Val	Vol	Val	Vol	Val
U.S.	3,998	3,871	20,652	30,600	1,018	1,626	23,119	22,368
Others								
Thailand	8,534	15,827	4,870	12,600	2,893	7,175	1,286	3,831
P.R.C.	779	1,502	7,164	18,547	2,554	5,787	5,394	15,262
Canada	0	0	23	22	0	0	47	27
Denmark	15,274	29,178	20,346	41,239	16,083	32,562	3,584	5,794
France	2,750	4,185	1,845	3,037	1,653	2,720	256	390
U.K.	376	561	2,282	4,161	2,101	3,652	0	0
Germany	67	126	131	288	131	288	0	0
Japan	66	199	3	25	3	23	0	0
Brazil	0	0	1,140	2,430	0	0	4,486	8,589
Australia	0	0	48	86	0	0	0	0
Other	4	5	0	0	0	2	1	11
Total for Others	27,850	51,593	37,852	82,435	25,418	52,309	15,054	33,904
Grand Total	31,848	55,464	58,504	113,035	26,436	53,935	38,173	56,272

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 & U\$1,000, RTC Basis			
Imports for	CY 2004		CY 2005		Jan. - Jun. 2005		Jan. - Jun. 2006	
Country	Vol	Val	Vol	Val	Vol	Val	Vol	Val
U.S.	0	0	0	0	1	4	0	0
Others								
Hong Kong	200	341	1,248	1,441	601	685	770	868
Japan	410	1,650	998	3,656	276	1,300	462	1,666
P.R.C.	0	0	76	182	75	177	1	2
Taiwan	38	160	78	316	25	105	87	353
Thailand	36	116	27	70	18	49	0	0
Vietnam	0	0	24	21	24	21	0	0
Iraq	0	0	9	54	0	0	0	0
Turkey	0	0	10	55	0	0	45	263
Australia	3	12	0	0	0	0	44	7
Russia	45	36	0	0	0	0	0	0
Other	4	18	8	37	4	20	4	20
Total for Others	736	2,333	2,478	5,832	1,023	2,357	1,413	3,179
Grand Total	736	2,333	2,478	5,832	1,024	2,361	1,413	3,179

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

Source: Korea Customs Service