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# **Korea, Republic of**

## **Livestock and Products**

### **Annual**

### **2008**

**Approved by:**

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**Report Highlights:**

On June 26, the Ministry for Food, Agriculture, Forestry and Fisheries (MIFAFF) published Import Health Requirements for U.S. beef after several months of prolonged public protests and immediately began clearing pipeline product. Total imports are forecast to increase six percent in 2009 despite increases in domestic production. Data included in this report is not official USDA data. Official data is available at <http://www.fas.usda.gov/psdonlineonline>.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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[KS]

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Table 1. PSD for Cattle

PSD Table Animal Numbers, Cattle										
	2007 Revised			2008 Estimate			2009 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2007	01/2007		01/2008	01/2008		01/2009	01/2009	
Total Cattle Beg. Stks	2484	2484	2484	2700	2700	2653	0	2898	2898	(1000 HEAD)
Dairy Cows Beg. Stocks	266	266	266	257	257	258	0	253	253	(1000 HEAD)
Beef Cows Beg. Stocks	762	762	762	800	800	821	0	900	900	(1000 HEAD)
Production (Calf Crop)	860	860	858	880	880	999	0	960	960	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	1	1	0	1	1	0	0	0	0	(1000 HEAD)
Total Imports	1	1	0	1	1	0	0	0	0	(1000 HEAD)
Total Supply	3345	3345	3342	3581	3581	3652	0	3858	3858	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Cow Slaughter	280	280	308	295	295	331	0	348	348	(1000 HEAD)
Calf Slaughter	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	360	360	376	380	380	418	0	439	439	(1000 HEAD)
Total Slaughter	640	640	684	675	675	749	0	787	787	(1000 HEAD)
Loss	5	5	5	5	5	5	0	5	5	(1000 HEAD)
Ending Inventories	2700	2700	2653	2901	2901	2898	0	3066	3066	(1000 HEAD)
Total Distribution	3345	3345	3342	3581	3581	3652	0	3858	3858	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)

"Not Official USDA Data"

Table 2. PSD for Beef

## PSD Table Meat, Beef and Veal

	2007 Revised			2008 Estimate			2009 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2007	01/2007		01/2008	01/2008		01/2009	01/2009	
Slaughter (Reference)	640	640	684	675	675	749	0	787	787	(1000 HEAD)
Beginning Stocks	5	5	5	10	10	10	0	10	10	(1000 MT CWE)
Production	205	205	219	214	214	240	0	252	252	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	315	315	308	320	320	320	0	340	340	(1000 MT CWE)
Total Imports	315	315	308	320	320	320	0	340	340	(1000 MT CWE)
Total Supply	525	525	532	544	544	570	0	602	602	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	515	515	522	539	539	560	0	592	592	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	515	515	522	539	539	560	0	592	592	(1000 MT CWE)
Ending Stocks	10	10	10	5	5	10	0	10	10	(1000 MT CWE)
Total Distribution	525	525	532	544	544	570	0	602	602	(1000 MT CWE)
CY Imp. from U.S.	30	30	20	60	60	70	0	140	140	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)

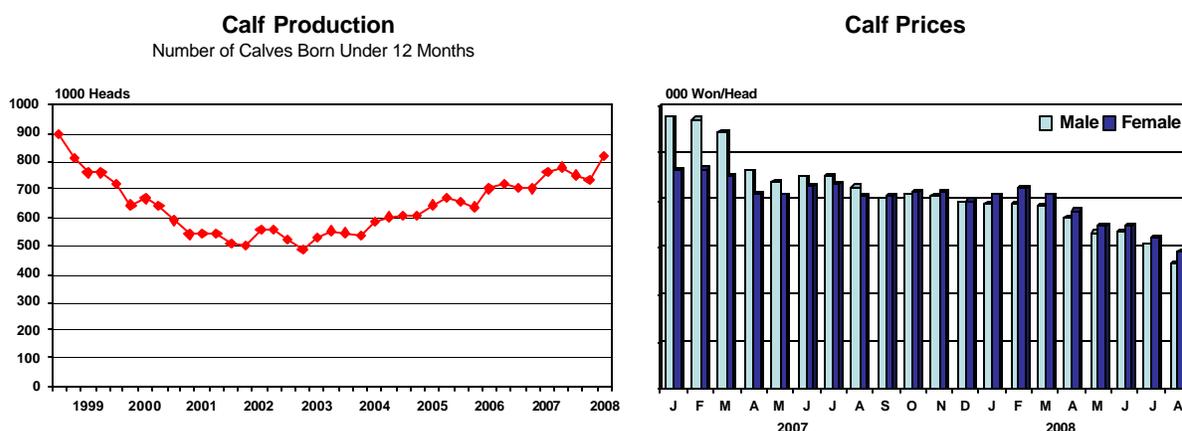
"Not Official USDA Data"

## SECTION I. BEEF AND CATTLE SITUATION AND OUTLOOK

Total Korean imports of beef are forecast to increase by about six percent in 2009 despite increases in domestic production. Imports from Australia and other competitors are expected to decline, especially if there is no substantial disruption in U.S. beef imports in the coming year.

### Production

Calf production is forecast to decline in 2009 due to the drop in calf prices, increased feed costs and farmers' anxiety over increased beef imports; however, government intervention will ensure that the decline is measured. Up until March 2008, farmers were still trying to capture the high calf prices through increased insemination rates, which is one reason 2008 total calf production is expected to be so high. The calf price began to drop after an agreement for a new import health protocol for U.S. beef was reached in April.



When calf prices began to fall, the Korean government increased the calf target price from 1.55 million won (about \$1,340) per head to 1.65 million won (about \$1,430) per head of calf. Farmers are compensated up to 300,000 won (\$260) per head when calf prices fall under the target price.

Another factor affecting calf production is the continual rise in feed prices. As live cattle prices drop and feed prices continue to rise, domestic beef cattle producers will face a loss in revenue.

According to a study conducted by the National Agricultural Cooperative Federation's Research Institute, beef cattle farmers earned 1,459,000 won per head in 2007. However, by June 2008, they were losing 977,000 won per head due to low cattle prices and high feed prices. Live steer prices have dropped 28.1 percent from 4,788,000 won per head in January to 3,442,000 won in August. Nevertheless, average retail prices had only dropped 16.9 percent from 30,680 won per kilogram to 25,490 won per kilogram during the same period. Such a large drop in live cattle prices compared to retail beef prices is mainly due to the farmer's lack of bargaining power. Middlemen use this as a negotiating tool to keep prices down.

**Table 3. Domestic Compound Feed Production**

Unit: Thousand Metric Tons

Species	2006	2007	Jan-Jul 2007	Jan-Jul 2008
Poultry	4,268	4,403	2,649	2,597
Swine	5,175	5,409	3,045	3,011
Dairy	1,539	1,449	847	812
Beef Cattle	3,574	3,880	2,189	2,413
Other	919	1,006	649	677
Total	15,475	16,148	9,379	9,510

Source: Korea Feed Association

The table above shows that compound feed production for beef cattle has continued to rise despite the high cost of feed. The table below shows that feed costs are not as significant for fattening beef cattle as for other livestock; however the cost of purchasing the calf represents a large percentage of the total cost (55.9%). Given that cow-calf operations are mostly smaller farms that can either sell off their calves to feedlots or feed them on their own farms, and that the calf price and the fully grown cattle prices run in parallel, calf prices are the main factor determining whether farmers will increase their calf production or not. Feed prices account for a smaller portion of the total production cost and are a minor factor in the decision making process.

**Table 4. Percent of major production costs (based on 2007)**

Unit: Percent

Cost	Fattening Beef Cattle	Fattening Swine	Broiler	Dairy Cattle	Layer
Percent of feed costs	35.7	48.6	54.8	53.2	47.0
Percent of animal cost *	55.9	29.5	23.3	-	-
Percent of other costs	8.4	21.9	21.9	-	-
Total	100.0	100.0	100.0	100.0	100.0

Source: Duk HUH, et al., (2008), Symposium by the Korean Academic Society of Livestock Management

\* Animal cost means the price paid to purchase the calf, piglet, etc. to be raised in the feedlot.

With the continued drop in live cattle prices and uncertainty surrounding the future of the Hanwoo market, farmers have begun to slaughter animals that are less productive, such as those that are slower in gaining weight. This is reflected in the higher slaughter numbers expected for 2008 and 2009. The cow slaughter rate was 45.0 percent in 2007 and is expected to stabilize at around 44.2 percent for the 2008-2009 period.

#### *Domestic Support*

The Korean government established a loan program to help livestock farmers cope with increased feed costs which provides up to 1.5 trillion won (about \$1.3 billion) to allow farmers to secure compound feed for their livestock through the end of 2008. The annual interest rate is 3 percent, but the government and the National Agricultural Cooperative Federation will respectively pay 1 percent of the interest and therefore, the farmers only have to pay 1 percent of the loan amount as interest. Cattle farmers have to pay back the loan on a 2-year installment basis after a one year of grace period. Swine and chicken farms have to pay back the loan on a 2-year installment basis. In addition to the loan program,

the Korean government removed the duty for 29 ingredients used in producing compound feed (equal to a reduction in compound feed costs by 120 billion won, or approximately \$104 million).

The government also extended the period for the exemption of the value added tax that was suppose to be imposed on compound feed up to 2011 (equal to a reduction in compound feed costs by 530 billion won, or approximately \$460 million). In order to be more self sufficient in livestock feed, the government is increasing the cultivated land area for forage feed. They plan to increase the forage feed area from 164,000 hectare in 2007 to 370,000 hectare by 2012. If successful, it would reduce the reliance on compound feed from 6.6 million tons in 2008 to 4.3 million tons in 2012. It is expected that the use of domestically produced forage would increase from 3.92 million tons in 2008 to 5.33 million tons in 2012.

The cattle farmers are also shifting their efforts to producing higher grade beef cattle to compete against lower priced imported beef. The following table shows the trend towards higher graded cattle production.

**Table 5. Quality Grade Trends**

Quality Grade	2007 Average	Jan–Aug 2008 Average
1++	5.5	5.5
1+	13.7	15.1
1	19.7	22.1
2	23.9	24.8
3	30.0	26.6
D	7.3	6.0

The government is trying to improve the quality of Hanwoo beef by providing incentives for high quality carcasses. It will provide an incentive of 200,000 won (about \$173) per head of Hanwoo steers that are 1++ grade or Dairy steers that are 1+ grade or higher. Farmers that produce Hanwoo steers that are 1+ grade or dairy steers that are 1 grade will receive an incentive of 100,000 won (about \$87) per head.

Further, to maintain the higher quality of Hanwoo cattle, the government plans to introduce an incentive program in 2009 for Hanwoo cows that meet a certain standard (details not available yet) to increase their birth rate. The government will provide an incentive payment of 200,000 won (about \$173) for the 5<sup>th</sup>–6<sup>th</sup> calf from eligible cows and 300,000 won (about \$270) for the 7<sup>th</sup> calf and beyond. Currently only 25 percent of Hanwoo cows are giving birth to three or more calves.

In order to reduce the use of antibiotics in compound feed that are premixed during the production of compound feeds, Korea will gradually reduce the number from the current 25 types in 2008 to 18 in 2009 and 9 in 2011. Korea will still allow antibiotics to be used through other methods, such as injection.

Korean slaughter plants are under utilized. Therefore, the Korean government is trying to increase their business by increasing the percent of slaughter plants equipped with meat processing plants. The Korean government plans to increase the percent of slaughter plants equipped with processing facilities from 30 percent in 2008 to 90 percent by 2012. In addition to this, there were 1,273 meat processing plants at the beginning of 2005.

Table 6. Slaughter Operations

Slaughter Plant	Number of Slaughter Plants	Capacity (heads/day)	Actual Slaughter Number (heads)		Operation Ratio (%)	
			2005	2006	2005	2006
Cattle	94	10,558	2,041	1,657	19.3	15.7
Swine	105	104,365	44,881	43,344	43.0	41.5

Source: 2007/2008 Annual Livestock Yearbook, Agriculture, Fisheries & Livestock Newspaper

## Consumption

Consumers have begun to purchase U.S. beef, but mostly at small, independent butcher shops. Sales at these butcher shops are doing quite well, especially since they do not have competition from the large discount chain stores. There have not been any protests in front of butcher shops. Consumer groups that organize these protests may feel that the public would not be as enthusiastic to protest in front of small mom and pop type stores. In addition, there are too many of these smaller shops throughout the country to focus on any one of them.

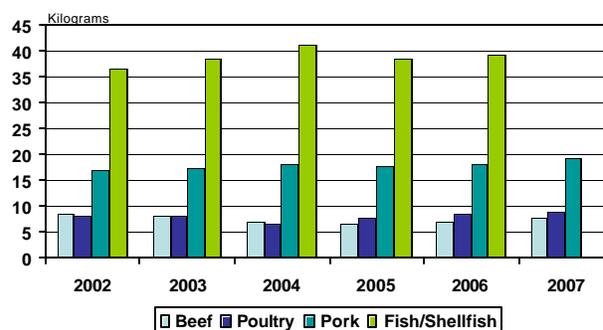
Prior to December 2003, Koreans preferred beef over chicken. However, high beef prices caused by a lack of supply and consumers concern over BSE, consumption of beef has been replaced by poultry and pork.

Korean consumers are enormously concerned about country of origin labeling. There is a general feeling that imported products are not as good as domestic products, and because they are cheaper, it is believed that there is rampant mislabeling. The domestic cattle industry especially has been very vocal about country of origin labeling. They believe that consumers intending to purchase Hanwoo beef are being misled by false labeling. Given the price difference, it is very likely that this is the case; however, during a recent two-month intensive crackdown that started in July 2008, only 315 out of 284,00 that were checked were found to have falsely labeled the country of origin of beef. The most common violation was to falsely label imported beef as Korean, but some restaurants labeled U.S. beef as Australian and some labeled locally produced beef produced from non-Korean cattle as Hanwoo. From October, the National Agricultural Products Quality Management Service will give 2 million Korean won in rewards to those who report violations.

The Korean government is expected to complete the beef traceability system by July 2009. During the first half of 2009, the government will complete ear tagging of all the cattle being raised in Korea and will prohibit the slaughtering of cattle that do not have ear tags from July 2009. It will also revise relevant laws to label the slaughter plant name on the package to enhance consumer confidence by the end of 2008.

## Per Capita Meat Consumption

(2007 data for fish/shell fish is not available)



The consumption of beef is largely divided into three segments. The retail market (30%), restaurants (60%), and food processing (10%).

#### *Restaurant Sector*

The restaurant sector accounts for the bulk of the beef consumption, however, they have been hesitant to sell U.S. beef due to concerns over potential protests. In addition, strict country-of-origin labeling (COOL) went into effect on June 13, 2008 for beef for all restaurants making it a requirement to put the country-of-origin on the menu. For some restaurants, it will be a burden to change their menus. Ultimately, the COOL requirement will be a positive factor in promoting the quality of U.S. beef.

#### *Retail Sector*

Although the retail market does not account for the major share of beef consumption, it does reflect consumers' preferences. In general, Korean consumers prefer grain feed beef which produce a high amount of marbling. U.S. beef has been selling in the retail market at smaller butchershops and stores. The large discount chain stores have not yet made the decision to sell U.S. beef. It is anticipated that once these stores make this decision the pace of imports will pick up and more chilled beef will be exported. Currently, almost all imports of U.S. beef have been frozen beef shipped via the sea. Korea is expected to import approximately 70,000 metric tons (carcass weight equivalent) of U.S. beef through the end of this year.

**Table 7. Factors Contributing to the Drop in Hanwoo Retail Prices**  
(January – June, 2008)

Period	Change From The Same Period In 2007 (%)				Contribution For Change By Each Factor (%)			
	Actual Retail Price	Domestic Beef Supply	Import Volume	Actual GNI	Domestic Beef Supply	Import Volume	Actual GNI	Other
Jan. – Mar.	-5.5	10.6	5.0	1.3	-6.1	-0.2	1.2	0.4
Apr. – Jun.	-6.4	9.8	-0.7	1.1	-5.7	0.0	1.0	-1.2

Source: GS&J Institute

Retail prices have been declining; although the main reason for this decline is not increased imports, but rather increased domestic production. As can be seen from the statistics in table 5, increased imports were only a minor factor during the first half of 2008. Then again U.S. beef had not resumed until June 26, 2008. Undoubtedly, the influence of imports will become higher during the second half of 2008. In addition, the reaction of farmers when imports increase will also be a factor. For example, if farmers rush to sell their stock this may affect live Hanwoo prices.

**Table 8. Average Beef Retail Prices**

Unit: Won per 500 grams

Month	2007	2008
January	14,980	15,340
February	16,267	14,747
March	15,639	13,967
April	16,112	14,831
May	15,106	12,578
June	13,624	12,403
July	14,000	11,815
August	14,403	12,745
September	16,194	
October	15,143	
November	15,427	
December	15,624	

Source: National Agricultural Cooperative Federation

Note: Prices are based on lower grade beef used for marinating.

As can be seen from Table 7 below, beef increases during the two main holidays, Chusok (Korean Thanksgiving) in September and Lunar New Year in January.

**Table 9. Beef Consumption Index**

Year	Jan. – Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
2006	0.92	0.95	1.02	0.99	1.11	1.28	0.94	1.04	1.13
2007	1.28	0.86	0.77	1.04	1.13	1.29	1.09	1.02	1.23
2008	1.46	1.33	1.06						
Avg.	1.22	0.90	0.90	1.02	1.12	1.28	1.02	1.03	1.18

Source: Korea Rural Economic Institute

## Trade

On June 26, 2008, Korea published as final its new import health requirements for U.S. beef and beef products. With the publication of these requirements, Korea began clearing deboned U.S. beef produced under the January 2006 requirements that was in the pipeline since the Korean market closed on October 5, 2007. The pipeline product, 5,300 metric tons of boneless beef that was stored in Korea and another 4,000 tons of boneless beef that was stored in the United States has finished clearing quarantine inspection.

Following agreement on July 10, 2008, on the export certification statements for new U.S. beef and beef products for Korea, the U.S. Department of Agriculture (USDA) listed 30 establishments as eligible to export beef and beef products to Korea. These establishments either provided USDA's Agricultural Marketing Service (AMS) with a Declaration of Conforming Product (DOCP) stating that they produced only non-Canadian-origin cattle or submitted to and received approval from AMS for an Export Verification (EV) Program that ensured Canadian-origin cattle harvested for Korea were fed in the United States for 100 days.

According to the agreement with Korea, 90 days from the June 26 implementation of the new import health protocol, Korea will recognize the U.S. system as equivalent, and the authority to verify establishments as eligible to export U.S. beef and beef products to Korea reverts to USDA. USDA will list any newly approved establishments on the AMS "Official Listing of Eligible Suppliers to the USDA Bovine EV Programs" found on its website at:  
<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRD3105269>.

Separate from the U.S.-Korea agreement, Korean beef importers and U.S. exporters reached a commercial understanding on June 20, 2008, that only U.S. beef and beef products from cattle less than 30 months of age will be shipped to Korea, as a transitional measure, to allow for improved Korean consumer confidence in U.S. beef. At the request of U.S. exporters, USDA has set up a voluntary Quality System Assessment (QSA) Program that will verify for Korean importers that beef from participating establishments is from cattle less than 30 months of age. Although this program is wholly voluntary, the Korean government has informed USDA that it will reject any product arriving at Korean ports of entry that has not been certified as produced under the QSA Program for Korea. The list of participating establishments can also be found on the AMS website at:  
<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5070251>.

**Table 10. Korea: Beef Imports**

(\$000 and Metric Tons)

Country	Annual 2007		Jan-Jul 2007		Jan-Jul 2008		% ?	
	Value	Volume	Value	Volume	Value	Volume	Value	Volume
Australia	683,222	225,313	381,609	123,866	386,080	119,603	1.17%	-3.44%
New Zealand	147,746	56,631	103,850	38,989	107,071	40,120	3.10%	2.90%
United States	94,025	19,757	25,497	5,151	24,052	4,920	-5.67%	-4.48%
Mexico	15,278	5,818	9,516	3,462	10,093	3,987	6.07%	15.16%
Others	534	399	280	217	213	108	-	-0.5023
<b>Total</b>	<b>940,804</b>	<b>307,919</b>	<b>520,752</b>	<b>171,682</b>	<b>527,508</b>	<b>168,738</b>	<b>1.30%</b>	<b>-1.71%</b>

Source: KOTIS

Product Weight Equivalent basis

Includes HS 0201 (fresh/chilled), HS 0202 (frozen), HS 021020 and 160250 (processed beef products)

Table 11. PSD for Swine

## PSD Table Animal Numbers, Swine

	2007 Revised			2008 Estimate			2009 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2007	01/2006		01/2008	01/2008		01/2009	01/2009	MM/YYYY
Total Beginning Stocks	8518	8382	8518	8745	8554	8743	0	8262	8263	(1000 HEAD)
Sow Beginning Stocks	1012	1012	1012	1000	1000	1000	0	1000	1000	(1000 HEAD)
Production (Pig Crop)	14423	14346	14351	14300	14445	13592	0	14174	14174	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	3	2	3	3	1	1	0	1	1	(1000 HEAD)
Total Imports	3	2	3	3	1	1	0	1	1	(1000 HEAD)
Total Supply	22944	22730	22872	23048	23000	22336	0	22437	22438	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Sow Slaughter	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	13674	13800	13597	14222	14200	13572	0	13600	13600	(1000 HEAD)
Total Slaughter	13674	13800	13597	14222	14200	13572	0	13600	13600	(1000 HEAD)
Loss	525	530	532	520	500	501	0	501	501	(1000 HEAD)
Ending Inventories	8745	8400	8743	8306	8300	8263	0	9336	8337	(1000 HEAD)
Total Distribution	22944	22730	22872	23048	23000	22336	0	22437	22438	(1000 HEAD)
CY Imp. from U.S.	1	1	0	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)

**"Not Official USDA Data"**

Table 12. PSD for Pork

## PSD Table Meat, Swine

	2007 Revised			2008 Estimate			2009 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2007	01/2007		01/2008	01/2008		01/2009	01/2009	MM/YYYY
Slaughter (Reference)	13674	13800	13587	14222	14200	13572	0	13600	13600	(1000 HEAD)
Beginning Stocks	213	213	213	184	188	188	0	168	178	(1000 MT CWE)
Production	1043	1040	1040	1085	1045	1045	0	1045	1045	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	447	400	447	460	350	460	0	440	440	(1000 MT CWE)
Total Imports	447	400	447	460	350	460	0	440	440	(1000 MT CWE)
Total Supply	1703	1653	1700	1729	1583	1693	0	1693	1663	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	13	15	14	15	15	16	0	15	15	(1000 MT CWE)
Total Exports	13	15	14	15	15	16	0	15	15	(1000 MT CWE)
Human Dom. Consumption	1506	1450	1498	1550	1400	1499	0	1468	1468	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	1506	1450	1498	1550	1400	1499	0	1468	1468	(1000 MT CWE)
Ending Stocks	184	188	188	164	168	178	0	170	180	(1000 MT CWE)
Total Distribution	1703	1653	1700	1729	1583	1693	0	1693	1663	(1000 MT CWE)
CY Imp. from U.S.	116	120	116	0	120	140	0	120	120	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)

"Not Official USDA Data"

## SECTION II. PORK AND SWINE SITUATION AND OUTLOOK

### Production

Domestic pork production has been relatively stable. Farmers reduced inventory slightly in 2008 due to the drop in swine prices and increased feed prices; however, a government vaccination program against PRRS resulted in an increase in live births. This vaccination program will enable the Maximum Sustainable Yield (MSY) in piglets to increase from the lowest level of 12.98 in 2006 to 13.46 in 2007, 14 in 2008 and 16 in 2009, allowing for a higher piglet crop with the same sow numbers. This will result in higher piglet production in 2009.

In order to eradicate swine fever, the government will supply vaccinations and then penalize farmers that have fewer than 80 percent of the antibodies in their stocks. It will also continue to provide support for establishing more livestock manure treatment facilities. The central government will provide 50 percent of the budget needed for constructing joint manure treatment facilities. In addition to the central government support, the regional government will provide another 30 percent for this project. Farmers will only have to pay 20 percent of the total money needed for constructing such facilities.

The government plans to implement a new program to increase the quality of domestic pork. It will begin to provide incentives for farmers that produce swine that receive over a 1+ grade from 2009. Such swine will receive 10,000 won (about \$9) per head as an incentive. In 2007, the percent of swine that received 1+ grade was only 1 percent.

### Consumption

Pork retail prices have soared during the summer of 2008 as the long and hot summer season dampened weight gain. The average slaughter weight in May 2008 was 116 kg., but by July 2008 this had dropped to 107 kg. Domestic retail pork prices have gone up so high that they exceeded the prices of frozen Australian beef loin. As the summer picnic season ended and as the weather cooled, pork prices are beginning to come down. Although retail prices are not available for September, the average carcass wholesale price that was 4,925 won/kg. in August dropped to 4,019 won/kg. by September 24.

**Table 13. Retail prices (2008)**

Unit: Won per 500 gram

Month	Hanwoo beef Loin (Top grade)	Australian Beef Loin (Chilled)	Australian Beef Loin (Frozen)	Domestic Pork
January	32,407	18,150	6,600	6,868
February	31,881	19,532	6,649	6,813
March	31,897	18,776	6,258	6,641
April	31,737	18,702	5,885	7,368
May	29,968	18,776	6,100	8,458
June	29,482	18,989	6,152	9,747
July	29,669	20,152	6,267	9,483
August	31,716	20,887	6,267	9,699

Source: National Agricultural Cooperative Federation

Consumers' preference for pork bellies exceeds any other pork cut sold in Korea as indicated in the table below. Most pork, 53 percent, is sold through retail sector and like beef, much of that is sold through smaller butcher shops.

**Table 14. Different Pork Cuts Sold Through a Discount Chain Store**

Unit Percent

Tenderloin/Loin	Shoulder Loin	Picnic ham	Belly	Rib	Others
4.0	18.3	24.7	39.3	9.4	4.2

Source: Korea Meat Trade Association

**Table 15. Distribution Channel for Pork**

Unit: Percent

Butcher Shops	Restaurants	Discount Chain Stores	Institutional Use	Meat Processors	Direct Sales Outlet	Exports
41.2	21.7	7.2	11.2	6.5	5.1	5.1

Source: Korea Meat Trade Association

The Korean government plans to implement a mandatory labeling system for pork grades being sold through retail outlets in the second half of 2008. It will first begin by making it mandatory to label the grade for pork bellies and Boston butts, and then gradually increase the list of commodities subject to such labeling. There is already a labeling system in place for beef grades.

### Trade

Pork imports are forecast to decline slightly in 2009. Although greater imports of U.S. beef is likely to lead to a reduction in pork imports, it is more likely that total protein consumption will grow. Pork consumption is at an all-time high and given current consumption patterns, not likely to fall too much in 2009.

Given that pork bellies accounts for only 20 percent of total domestic pork production, the gap in supply has been filled with imported pork bellies. The following table shows the major pork cuts that have been imported in 2007 and the first seven months in 2008. As this table is based on quarantine inspection data, it does not match with actual customs clearance data.

**Table 16. Pork Imports by Cuts**

Unit: MT and percent

Year	Belly	Shoulder loin	Rib	Ham	Picnic	Loin	Other	Total
2007	117,438 (47.5)	67,675 (27.4)	27,321 (11.0)	1,217 (0.5)	26,884 (10.9)	1,205 (0.5)	5,663 (2.3)	247,403 (100.0)
Jan-Jul 2008	73,114 (51.0)	43,478 (30.4)	7,922 (5.5)	283 (0.2)	15,825 (11.0)	710 (0.5)	1,897 (1.3)	143,229 (100.0)

Source: National Veterinary Research &amp; Quarantine Service, KMTA

When the mandatory requirement to label the country of origin for pork dishes in restaurants goes into effect on December 22, 2008, restaurants that have been major customers of imported pork will likely shift over to domestic pork. Such a move by restaurant owners is based on the belief that consumers prefer domestic pork and that many of them do not realize they are being served imported pork. The price of imported U.S. beef short ribs is lower than domestic pork bellies, which will result in a shift in consumption from pork bellies to U.S. beef reducing imports of pork. Korea suspended imports of Chilean pork on August 18, 2008 due to continued detections of dioxin residues. The lack of Chilean product will likely increase wholesale prices for imported pork as supplies gets tighter.

Table 17. Korea: Pork Imports

(\$1000 and Metric Tons)

Country	Annual 2007		Jan-Jul 2007		Jan-Jul 2008		% ?	
	Value	Volume	Value	Volume	Value	Volume	Value	Volume
United States	216,228	115,518	136,710	72,075	153,099	86,390	11.99%	19.86%
Chile	117,645	83,135	64,607	48,409	78,123	43,637	20.92%	-9.86%
Canada	114,934	56,542	66,856	30,727	70,623	37,359	5.63%	21.59%
France	74,792	29,566	48,563	18,467	40,978	16,487	-15.62%	-10.72%
Belguim	58,240	28,423	38,796	18,044	33,001	15,847	-14.94%	-12.18%
Denmark	54,595	26,224	36,531	15,629	27,478	14,388	-24.78%	-7.94%
Austria	52,536	22,718	29,363	14,621	35,601	13,573	21.25%	-7.17%
Netherlands	50,780	19,328	29,186	10,608	27,619	13,436	-5.37%	26.65%
Spain	47,771	19,326	30,882	10,572	21,466	10,141	-30.49%	-4.07%
Poland	36,104	18,139	21,345	10,069	16,987	9,784	-20.42%	-2.83%
Hungary	31,318	13,265	19,209	7,878	23,000	10,360	19.73%	31.50%
Others	27,431	10,867	18,010	9,022	13,906	6,980	-22.79%	-22.64%
<b>Total</b>	<b>882,375</b>	<b>446,685</b>	<b>540,059</b>	<b>266,158</b>	<b>541,882</b>	<b>278,382</b>	<b>0.34%</b>	<b>4.59%</b>

Source: KOTIS

Product Weight Equivalent basis

Includes: HS 020311, 020312, 020319 (fresh/chilled), HS 020321, 020322, 020329 (frozen), 021011, 021012, 021019, 160241, 160242, 160249 (processed pork products)