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Korea, Republic of

Agricultural Situation

Agricultural Situation Update

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Report Highlights:

Final MY 1997/98 production and trade data show total compound feed production declined as weaker demand in the poultry and cattle sectors offset marginally higher demand in the swine sector. Compound feed production levels are expected to decline further as the contraction of the cattle sector continues into MY 1998/99. Livestock farm gate prices are on the increase now but must strengthen considerably more to spur herd expansion. Competitively priced feed wheat began displacing corn and other feed grains in compound feed formulations in the spring of 1998, and should continue to do so into 1999.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Seoul [KS1], KS

Compound Feed Production

For MY 1997/98, total compound feed production was estimated at 14.8 MMT, a five-percent decline from MY 1996/97 production. For MY 1998/99, total compound feed production is projected at 14.1 MMT, as the nation's cattle herd is expected to continue its contraction into the year 2000.

On a sectorial basis, in MY 1997/98, compound feed production developed as follow:

— poultry feed production declined seven percent due to lower demand in the layer, broiler and chick sectors.
— swine feed production expanded one percent on stronger demand in the grower and feeder sectors which offset weaker demand in the sow/piglet sector.
— cattle feed production declined eight percent due to weak demand in both the dairy and beef cattle sectors.

Corn

In MY 1997/98, total corn use in compound feed declined to 5.9 MMT, a decrease of 6.6 percent from MY 1996/97. Corn, as a percent of compound feed, declined to 33 percent in September down from a 45-percent level recorded in January 1998. For MY1998/99, total corn use in compound feed production is projected at around 5 MMT, which will be down 15 percent from MY 1997/98 due to lower expected demand for mixed-feed by the cattle sector and greater substitution of feed wheat.

Korean feed millers have contracted for 1.4 MMT of corn for delivery between October 1998 through January 1999. Contracted corn will be sourced from either the United States (1.07 MMT) or China (0.25 MMT) with a small quantity still listed as supplier's option from either the U.S. or China.

Feed Wheat

In MY 1997/98 (October/September basis), feed wheat use in compound feed production totaled 1.93 MMT, an increase of 49 percent over MY 1996/97. In early MY 1997/98, falling international prices led feed wheat to start displacing other grains (e.g., sorghum, rye, etc.) in compound feed mixes. By spring, international feed wheat prices, specifically out of Eastern Europe, were competitive with corn. Continued price competitiveness leads industry expectations that feed wheat use will expand as a percent of total mixed feed produced during MY 1998/99.

Korean feed millers have contracted for 1.7 MMT of feed wheat for delivery between July 1998 through March 1999. Contract prices for feed wheat delivered in October 1998 were in the US$79-$97/MT, C&F, range. The price on the contract issued on November 19 was US$105.25/MT, C&F.

Korea: Feed Production per Animal (October/September, 1,000 MT)			
Animal Type	MY 1996/97	MY 1997/98	MY 1998/99 a/
Poultry	3,775	3,508	3,500
Swine	5,006	5,053	5,050
Cattle	6,330	5,815	5,200
Others	605	417	300
Total	15,716	14,793	14,100

a/ Forecast

Source: FAS Seoul. Based on monthly feed production data published by the Ministry of Agriculture and Forestry.

Korea: Feed Ingredient Use for Compound Feed Production (October/September, 1,000 MT)			
Items	MY 1996/97	MY 1997/98	MY 1998/99 a/
Total Grains and Grain Substitutes	10,785	10,047	9,500
- Wheat	1,293	1,929	2,400
- Corn	6,296	5,875	5,000
- Sorghum	192	9	0
- Rye	427	0	0
- Other Grains and Grain Substitute	2,577	2,234	2,100
Others	4,953	4,810	4,600
Total	15,738	14,857	14,100

a/ Forecast

Source: FAS Seoul

Livestock and Poultry

On November 15, the Ministry of Agriculture & Forestry (MAF) released its latest 1998 inventory projections for the livestock and poultry sectors. Cattle, both beef and dairy, and poultry numbers remain in line with earlier USDA projections. Swine numbers still remain unsupportably high.

During the July-September period slaughter rates increased as the live cattle market crashed. Unofficial slaughter levels since September fall within the April/June range of 98,000 head. This level is supported by a strengthening wholesale market for the 500 kg Hanwoo steer, currently set at two million won. In July, during the peak of the live cattle market crash, this size steer sold for only 1.6 million won. The domestic dairy market remains weak. Producers still are engaged in herd reduction efforts despite the absence of governmental assistance. Since September, the trend in domestic beef prices is up. Continued stronger than expected demand for beef since the Choosuk (Korean Thanksgiving day) holiday coupled with a strengthening Korean won vis-a-vis the U.S. dollar explain this development. The apparent increase in demand for domestic beef has not parleyed over to imported beef. Import trade volume stands at 70 percent below initial projections. Several factors are contributing to the slow recovery in the import market: financial insolvency of import associations and end-users, contraction and regulatory constraints within the retail sector serving imported beef, and consumer’s continued uncertainty about the economy.

Swine producer organizations and industry representatives agree MAF’s swine projection is unsupportable. The prevailing view is the actual national herd size is in the 6.7-7.0 million head range and not the 7.8 million head claimed by MAF. The view is based on the following factors. Swine compound feed production increased barely one percent between September 1997 and September 1998 but MAF projects the nation’s swine herd expanded 10 percent during the same period. However, published statistics show average slaughter weights during the corresponding January-August 1997 and 1998 periods at 102 kg. and 104 kg. per head, respectively, a two kg. increase year over year. Government statistics show larger animals in 1998 while producer statements say compound feed rations remained constant. MAF’s claim that the herd expansion was feasible because producers fed less feed to swine during the period are not supportable.

Further, live animal market prices for 100 kg swine jumped 13 percent between October and November, from 158,000 won to 178,000 won. As a result, wholesale prices for pork jumped 400 won to 2,500 won per kilogram. Such price increases indicate a contraction, rather than expansion, of the market supply situation. In addition, unofficial customs data shows pork import volume has strengthened over that last two months while Korea pork exports, to Japan, may start to be affected by a strengthening won. Pork exports to Japan this year have been the lone bright spot for the domestic industry suffering notably by slack domestic demand.

The poultry sector’s downsizing earlier this year is reflecting itself in higher current market prices for broiler meat and eggs. Poultry meat imports increased marginally in October, but since have reverted to a more normal volume. Import volume is not expected to increase substantially until next summer, the traditional high poultry consumption period.

Table 1. Beef Cattle Inventory, Slaughter and Price

Month/Year	Inventory 1/	Slaughter Number	Price 2/
Sept., 1997	2,800	125,401	2,494
Oct., 1997		79,928	2,441
Nov., 1997		88,192	2,406
Dec., 1997	2,735	106,578	2,276
Jan., 1998		128,181	2,185
Feb., 1998		75,162	2,148
Mar., 1998	2,762	94,325	2,120
Apr., 1998		97,612	2,101
May, 1998		99,035	2,097
Jun., 1998	2,750	98,103	2,000
Jul., 1998		111,555	1,681
Aug., 1998		139,134	1,612
Sept., 1998	2,633	117,463	1,995
Oct., 1998		N/A	1,979
Nov.20, 1998		N/A	2,040
Dec., 1998	2,512 (P)	N/A	N/A

Note: 1/ Inventory is as of the end of the respective month. Thousand head.
2/ 500 Kilogram steers. Thousand won.

Source: Inventory numbers are based on the survey by Ministry of Agriculture & Forestry, released by the National Livestock Cooperative Federation (NLCF). Other data are from NLCF.

Table 2. Dairy Cattle Inventory, Slaughter and Price

Month/Year	Inventory 1/	Slaughter Number	Price 2/
Sept., 1997	551	21,277	1,606
Oct., 1997		13,500	1,634
Nov., 1997		13,739	1,633
Dec., 1997	544	17,224	1,528
Jan., 1998		21,410	1,407
Feb., 1998		14,536	1,366
Mar., 1998	568	16,681	1,371
Apr., 1998		19,101	1,412
May, 1998		19,094	1,329
Jun., 1998	562	18,867	1,198
Jul., 1998		21,630	1,074
Aug., 1998		25,232	1,094
Sept., 1998	552	N/A	1,238
Oct., 1998		N/A	N/A
Nov.20, 1998		N/A	N/A
Dec., 1998	548 (P)	N/A	N/A

Note: 1/ Inventory is as of the end of the respective month. Thousand head.
2/ First calf cows. Thousand won.

Source: Inventory numbers are based on the survey by Ministry of Agriculture & Forestry, released by the National Livestock Cooperative Federation (NLCF). Other data are from NLCF.

Table 3. Swine Inventory, Slaughter and Price

Month/Year	Inventory 1/	Slaughter Number	Price 2/
Sept., 1997	7,064	882,985	176
Oct., 1997		995,807	164
Nov., 1997		1,026,701	146
Dec., 1997	7,096	1,206,127	136
Jan., 1998		1,022,720	164
Feb., 1998		870,206	200
Mar., 1998	7,441	1,022,588	201
Apr., 1998		1,029,028	186
May, 1998		1,028,883	170
Jun., 1998	7,458	1,013,892	178
Jul., 1998		1,015,087	181
Aug., 1998		1,019,875	179
Sept., 1998	7,788	1,170,638	171
Oct., 1998		N/A	158
Nov.20, 1998		N/A	177
Dec., 1998	7,654 (P)	N/A	N/A

Note: 1/ Inventory is as of end of the respective month. Thousand head.
2/ 100-Kilogram swine. Thousand won.

Source: Inventory numbers are based on survey by Ministry of Agriculture & Forestry, released by the National Livestock Cooperative Federation (NLCF). Other data are from NLCF.