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Report Highlights:

FAS/Seoul forecasts Korea's 2025 milk production to decrease to 1.92 million tons. Korean milk production continues to decline in line with industry contraction and demographic-driven consumption declines. FAS/Seoul forecasts 2025 cheese imports to increase to 150,000 tons as Korean demand for cheese continues a steady upward trend and consumers become increasingly interested in dairy products as a protein source. FAS/Seoul forecasts 2025 nonfat dry milk consumption to remain stable at 20,000 tons.

Executive Summary:

FAS/Seoul forecasts Korea's milk production to decrease to 1.92 million tons in 2025. The Ministry of Agriculture, Food and Rural Affairs 2025 fluid milk for drinking production quota is 1.94 million tons and 109,000 for milk for processing. Milk consumption continues to decrease as Koreans have fewer children and the average population age increases. However, sales of premium milk products are increasing as consumer demand for healthier and immune-boosting foods grew during the COVID pandemic. Hypermarkets and supermarkets continue to be the major distribution channels for fresh milk.

FAS/Seoul forecasts 2025 cheese consumption to increase to 150,000 tons. Per capita cheese consumption has almost doubled in ten years, with an increase in both the consumer market and food processing industry. Despite continuous growth in consumption, domestic cheese production is decreasing due to high price of raw milk and increase of less expensive imports. Cheese imports continue to grow as consumer palates expand and tariff reductions and tariff rate quota (TRQ) make the products more attractive to importers and retailers.

Korea's Nonfat Dry Milk (NFDM) inventory continues its downward trend, due to declines in milk production. NFDM is used mainly for infant formula, bakery use, and use in other dairy products. Dairy product manufacturers, facing weak fluid milk and infant formula demand due to the country's low fertility rates, are working to diversify their business portfolios. Processors are increasingly looking to target the adult and senior powdered milk market.

Overview of Korean Dairy Market

The Korean dairy industry faces many challenges as overall consumption is in decline and production costs continue to rise. Fluid milk consumption is likely on a long-term decline as Korea's extremely low birth rate is changing demographics and shrinking the population of its primary consumers, children. The declining number of children and inflation is also dampening consumption of other dairy products in the short-term, except for natural cheeses. However, as the Korean economy recovers FAS/Seoul forecasts consumption of dairy products to rebound to some extent.

The local raw milk price is more than two times higher than the price of imported raw milk. In 2023, the Korean government introduced the "Pricing Scheme Based on Usage" through which the raw milk price is set according to whether the milk is for fluid use or other processing use. Yet, the raw milk price for processing is still expensive compared to imports so the Korean dairy industry is dependent on imported dairy products.

Dairy product imports have grown as importers take advantage of lower tariffs negotiated by the Republic of Korea government in several Free Trade Agreements (FTAs), and to meet growing demand for processed dairy products. Dairy product imports were slowed in 2022 due to inflation and unstable exchange rates but have bounced back as Korea's economy slowly recovers.

Table 1. Korea: Key Dairy Product Imports (Metric Tons)

	2019		2020		2021		2022		2023	
	U.S.	Total	U.S.	Total	U.S.	Total	U.S.	Total	U.S.	Total
Cheese HS 0406	61,432	131,354	61,821	48,002	67,541	156,523	67,372	154,096	54,795	161,753
NFDM HS 0402.10	7,293	23,765	4,561	17,469	4,182	14,510	5,977	14,690	4,048	8,482
WFDM HS 0402.21	460	5,207	456	5,515	572	4,545	881	6,857	159	5,021
Mixed Milk HS 0404.90 HS 1901.90.20	486 3 483	57,264 43,952 13,312	686 18 668	63,197 45,950 17,247	681 32 649	68,759 47,508 21,251	492 71 421	66,503 48,522 17,981	766 36 730	58,329 44,595 13,734
Butter HS 0405.10	1,364	9,791	1,096	11,282	1,985	17,865	4,824	22,667	1,143	22,544
Whey Powder HS 0404.10	16,532	38,372	11,613	33,241	14,248	37,378	14,635	35,959	11,556	33,719
Ice Cream HS 2105	1,903	7,513	3,066	9,229	3,849	10,671	3,777	13,238	2,532	14,958
Total (U.S. M/S)	89,470 33%	273,266	83,299 29%	287,935	93,058 30%	310,251	97,958 31%	314,010	74,999 25%	304,806

Source: Korea Customs Office

Commodities:

Dairy, Milk, Fluid

Table 2. Commodity, Dairy, Milk, Fluid, Production, Supply and Distribution

Dairy, Milk, Fluid	2023		2024		2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Korea, Republic of	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1000 HEAD)	200	190	195	193	0	192
Cows Milk Production (1000 MT)	2020	1930	1990	1930	0	1920
Other Milk Production (1000 MT)	0	0		0	0	0
Total Production (1000 MT)	2020	1930	1990	1930	0	1920
Other Imports (1000 MT)	80	0	90	0	0	0
Total Imports (1000 MT)	80	0	90	0	0	0
Total Supply (1000 MT)	2100	1930	2080	1930	0	1920
Other Exports (1000 MT)	4	0	3	0	0	0
Total Exports (1000 MT)	4	0	3	0	0	0
Fluid Use Dom. Consum. (1000 MT)	1520	1670	1502	1660	0	1640
Factory Use Consum. (1000 MT)	576	260	575	270	0	280
Feed Use Dom. Consum. (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	2096	1930	2070	1930	0	1920
Total Distribution (1000 MT)	2100	1930	2080	1930	0	1920
(1000 HEAD), (1000 MT)						

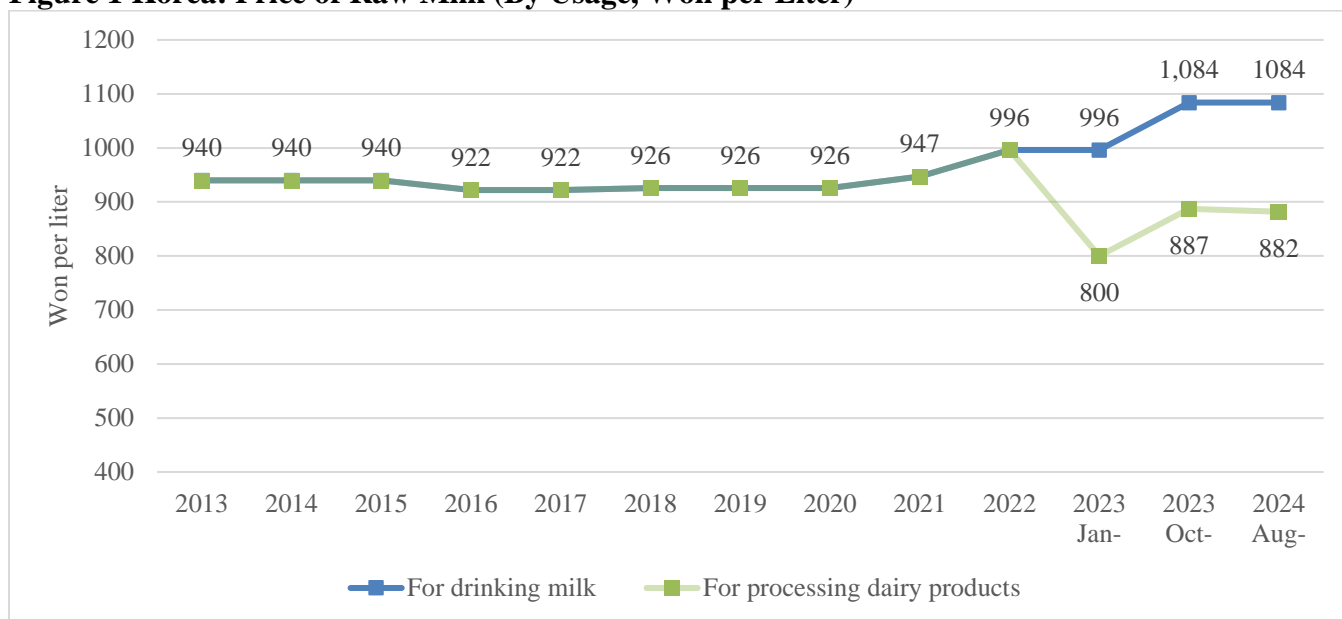
Production:

FAS/Seoul forecasts 2025 domestic fluid milk production to decrease to 1.92 million tons. The Ministry of Agriculture, Food and Rural Affairs (MAFRA), in coordination with the Korea Dairy Committee, sets prices for raw milk and milk processing along with a total quota eligible for the maximum price. From January 2025 to December 2027, the total tons of milk eligible for the maximum guaranteed price are 1.941 million tons for drinking milk and 109,000 tons for milk for processing. Stagnate milk prices, high input costs, and higher than average temperatures contribute to declines of fluid milk production. Contraction is an ongoing trend in the Korean dairy industry, as many producers are discouraged by a negative outlook of the industry's future.

From August 2024 to the first half of 2025, the price for fluid milk will remain 1,084 won (\$0.79)¹ per liter and the price for processing purposes decreased to 882 won (\$0.64) per liter. The prices are determined by a committee, which consists of dairy farmers, dairy processors and the Korea Dairy Committee. They negotiate once a year to determine the milk price.

In 2025, dairy farm profits are likely to decline as production costs rise and the milk price holds steady. Milk production costs have been on a steady upward trend. Feed and labor costs drive overall production costs. Labor costs spiked during the COVID-19 pandemic and have not rebounded to pre-pandemic levels.

Figure 1 Korea: Price of Raw Milk (By Usage, Won per Liter)

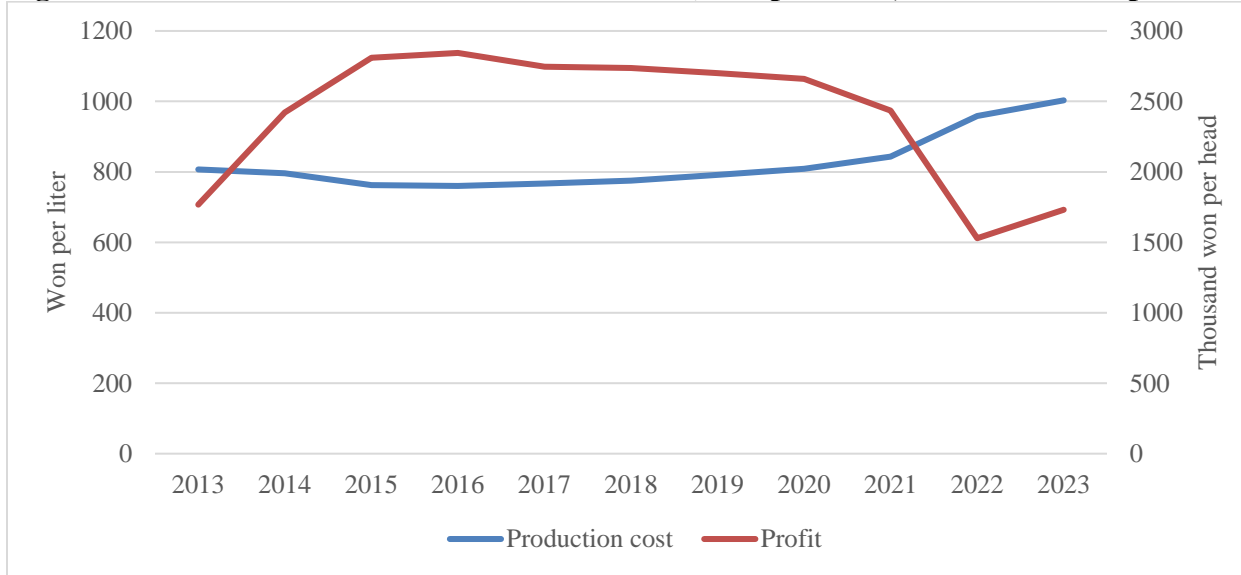


Source: Korea Dairy Industries Association

The Korea Meteorological Administration (KMA) forecasts 2025 average spring temperature to be 12~15°C and average summer temperature to be 27~29°C, 1.5°C and 1.8°C higher than the 30-year average respectively. High summer temperatures will lead to less production in 2025. According to the KMA, average summer temperatures in Seoul will be 29.8°C and annual average maximum temperatures are likely to be 40°C from 2071-2100. Most dairy cows in Korea are Holsteins, which are vulnerable to heat and humidity, and producers have reported that yields suffer during hotter than average summer months. In fact, the heat stress continues to impact production through the fall production season as the cows need more time to recover from heat waves and require energy to maintain their body temperature through the fall.

¹ \$1=1,365 Korean won (Exchange rate of October 15, 2024 is used throughout this report)

Figure 2 Korea: Milk Production Cost and Profit (Won per Liter, Thousand Won per Head)

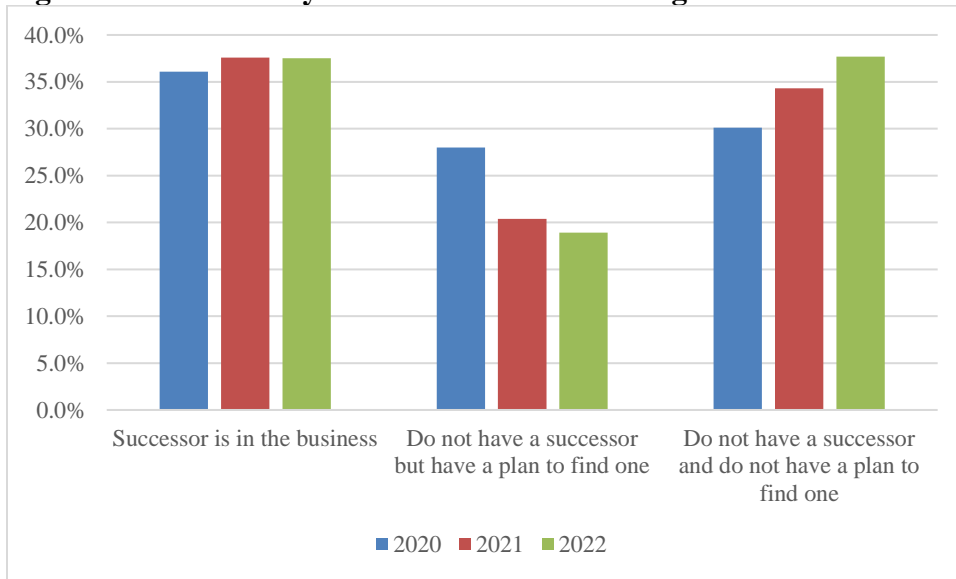


Source: Korea Dairy Industries Association

Korea’s domestic feed supply is limited. Korean dairy farms rely primarily on imported forage and grain for feed. Global crop production, transportation costs, and exchange rates heavily impact Korea’s feed supply. In recent years, due to Russia’s war in Ukraine, climate change, and a weak Korean won, the feed supply has been unstable. Although, an exceptionally high infusion of government rice reserves into the feed market in calendar year (CY) 2024 is expected to displace some imports of feed corn and feed wheat. Details on Korean grain and feed market are available on the [South Korea: Grain and Feed Annual](#) report.

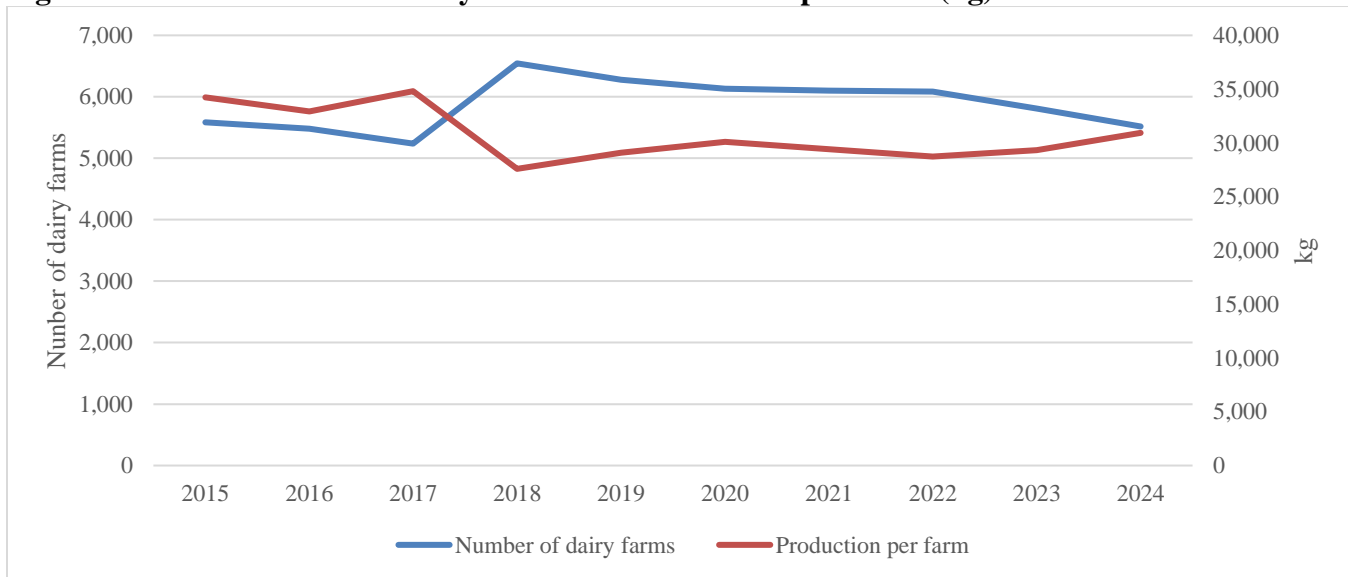
As Korea’s dairy herd shrinks so will its milk production. Dairy farmers are pessimistic about the future of the industry, and an increasing number are considering closing their farms. In fact, over the last two years, over 300 Korean dairy farms closed. According to a survey conducted by Korea Dairy & Beef Farmers Association, dairy farm owners are aging but an increasing number of them do not have a successor, nor do they have plans for training a successor. The respondents indicated that the main reason farms are suffering is debt held by the farmer. Around 80% of farmers have liabilities of over 200 million won largely driven by facilities, purchasing quotas, and buying feed.

Figure 3 Korean Dairy Farm Succession Planning



Source: Korea Dairy & Beef Farmers Association

Figure 4 Number of Korean Dairy Farms and Production per Farm (kg)



Source: Statistics Korea

Consumption:

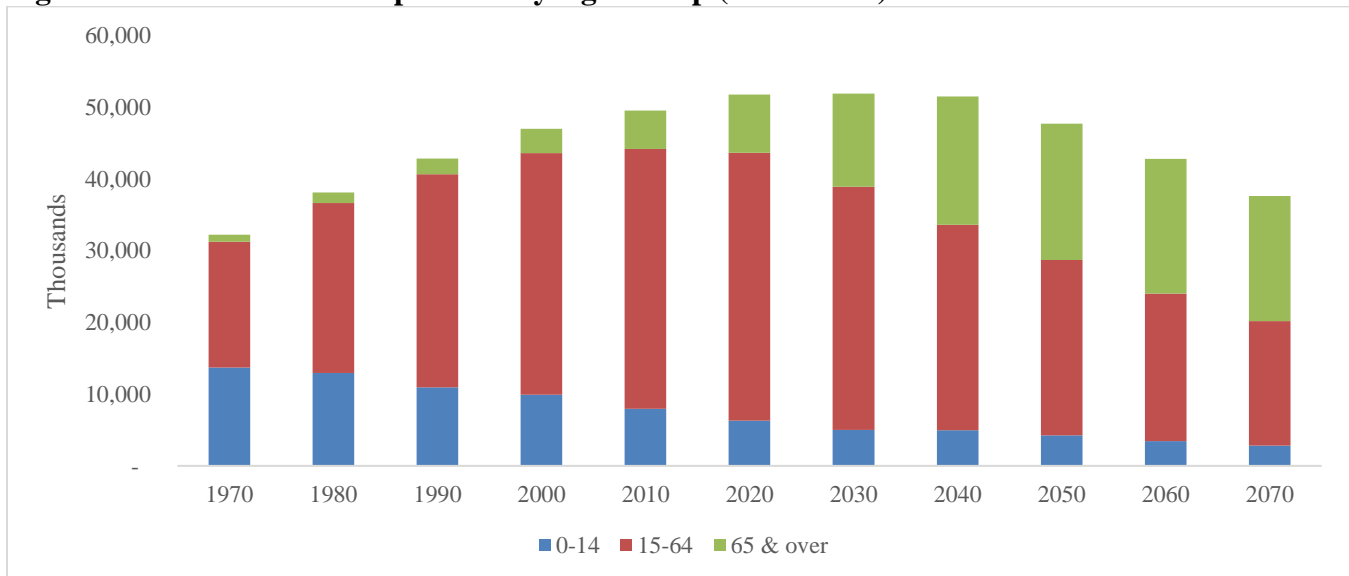
FAS/Seoul forecasts Korea’s 2025 domestic milk consumption to decrease to 1.92 million tons and increases the 2024 fluid milk consumption estimate to 1.93 million tons as January to August 2024 consumption data shows an increase. Demographics and consumer preferences will continue to put downward pressure on 2025 milk consumption.

Overall, dairy consumption has been slowly decreasing over the last three years. In fact, all dairy product sectors are showing declines in consumption except for cheese.

As children and teenagers are the main milk consumers in the Korean market, FAS/Seoul forecasts 2025 fresh milk demand to fall in line with demographic changes. Low fertility rates are the primary force driving the decline of fresh milk consumption in Korea. Statistics Korea forecasts that the population of children aged 0 to 14 will drop to 5.16 million by 2030, a 6 percent drop from the July 2024 population, and to 3.85 million by 2040. Per capita fresh milk consumption in 2023 was 25.9 kg, a 0.3 kg decrease from 2022 and follows an overall downward trend.

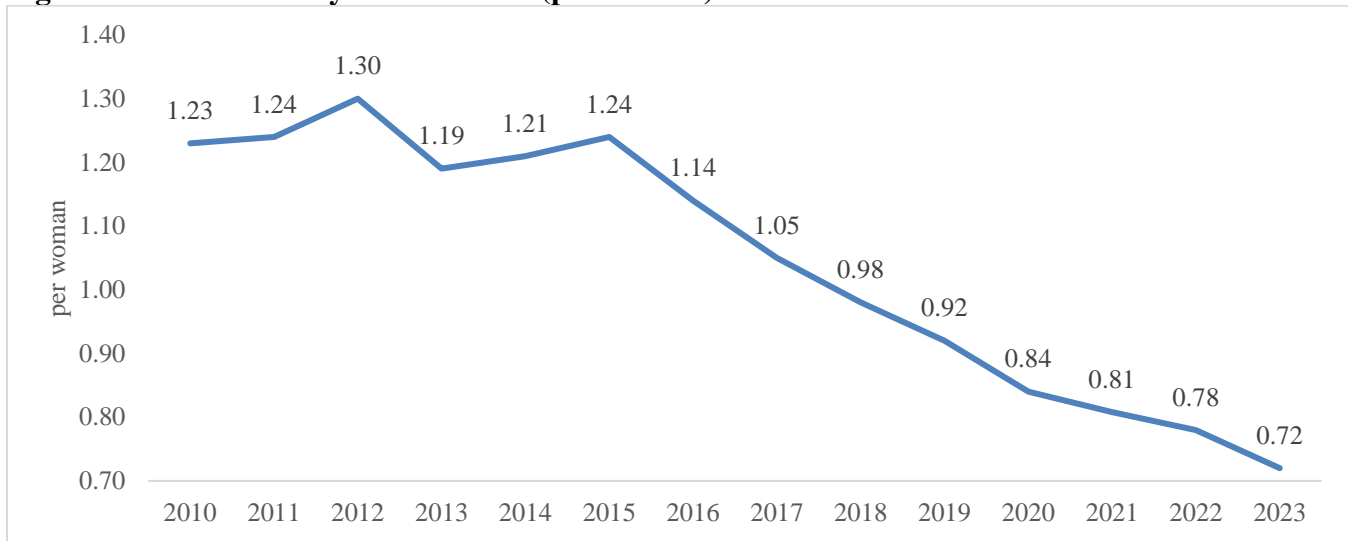
Milk consumption in schools will continue to decrease in 2025. According to Statistics Korea, 2025 primary school student enrollment will drop to 2.34 million, down 150,000 from 2.59 million in 2024. In Korea, milk sales to primary schools account for around 5.5 percent of domestic consumption. The share of fresh milk products sold through direct selling (home delivery of milk subscription) is also declining, as fewer consumers drink milk daily. In contrast, the share of fresh milk products sold at convenience stores and mixed retailers, which sell smaller packs or individual serving products, has increased.

Figure 5 Korea: Forecast Population by Age Group (Thousands)



Source: Statistics Korea

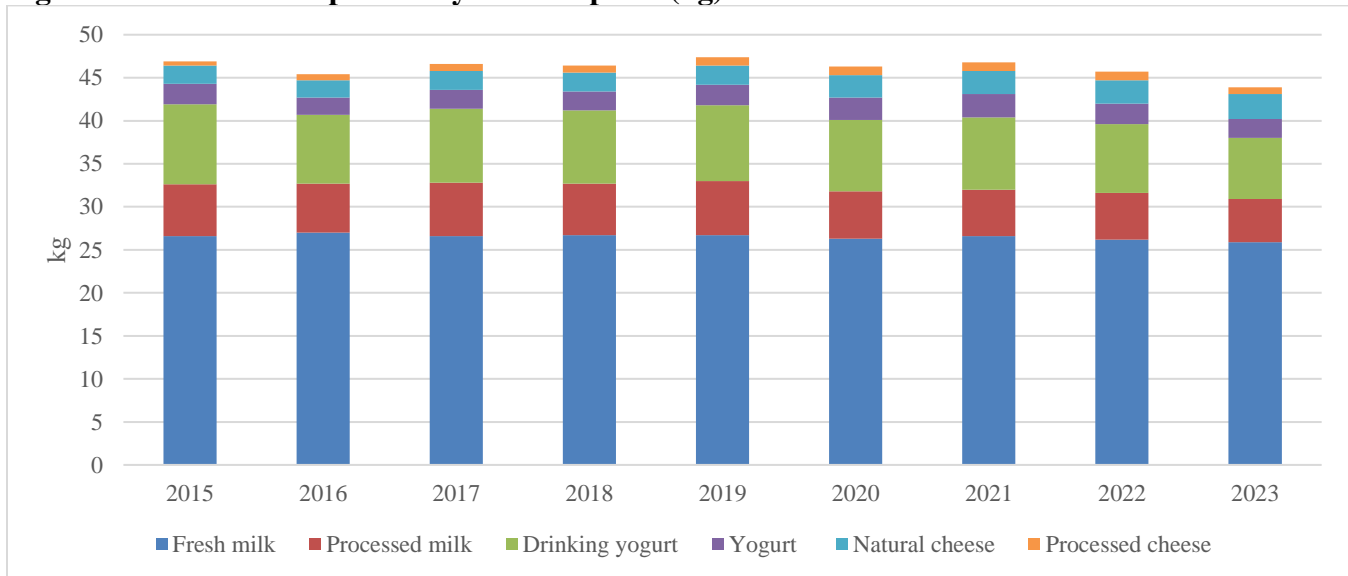
Figure 6 Korea: Fertility Rate 2010-23 (per woman)



Source: Statistics Korea

To meet shifts in consumer trends, the Korea Dairy Committee increased the annual quota for raw milk to be used in processing by 9,000 tons starting January 2025. Consumer trends and preferences are changing. For example, adult’s interest in health is growing, there is growing demand for protein among adult and senior consumers. As a result, industry expects demand for processed milk in beverages targeting adults to remain robust. Preference for other dairy products such as cheese and ice cream also continue to increase.

Figure 7 Korea: Per Capita Dairy Consumption (kg)



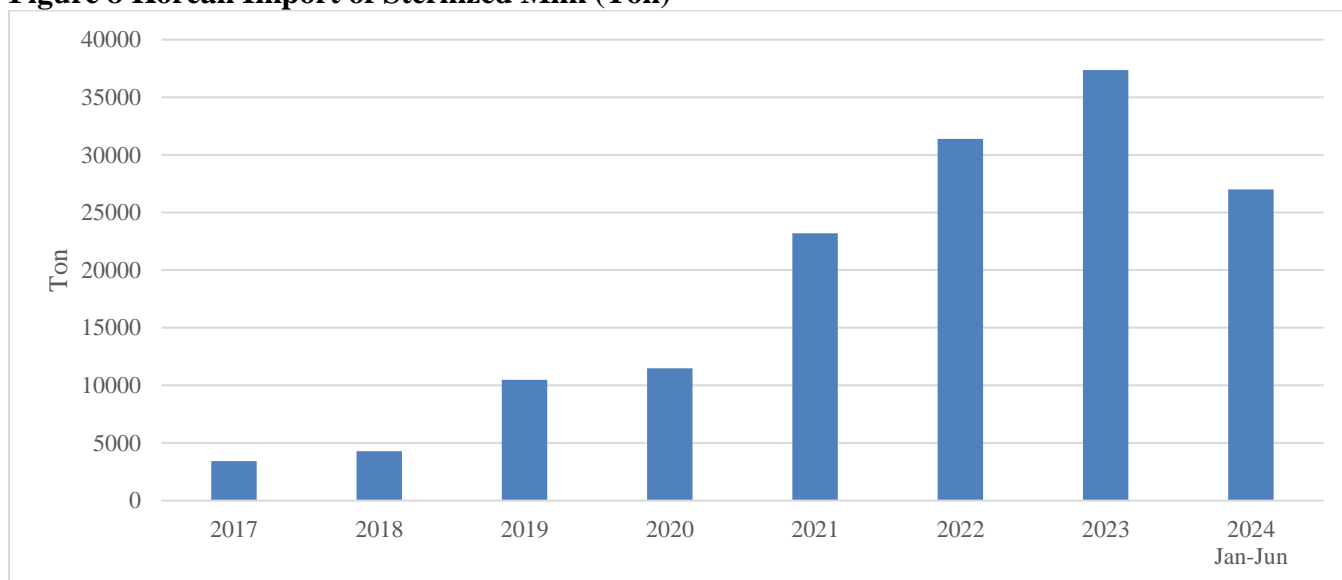
Source: MAFRA

FAS/Seoul forecasts consumption of premium products to increase in 2025 as consumers are increasingly interested in new product categories. Korean consumers are conscious of food safety issues

and parents want to provide their children with the best products available, with a careful eye on health and safety issues. In 2024, Seoul Milk and Yonsei Milk launched A2 milk products and they became popular in the market. A2 milk is 40 percent more expensive than A1 milk but consumers were willing to purchase the premium product for their families. Seoul Milk released four types of A2 milk products and sold 3.6 million liters in just five months. Yonsei milk sold 0.9 million liters in eight months. Other premium products such as Dongwon F&B’s “Denmark Alive Premium Milk” and S-Food’s “Sulsung Milk” are also popular among families with kids.

In 2022 and 2023, there was a 49 won per liter and then a 88 won per liter increase in raw milk price, which led to a sudden increase in the price of fresh milk. Consumers, and especially café owners, turned to more affordable options, such as imported sterilized milk. Products from Poland have an 88.8 percent market share for their low prices, which cost roughly 1,900 won per liter. Other products come from Australia, Germany, and France with market shares of 4.1 percent, 3.9 percent and 2.2 percent respectively. Imports of sterilized milk in 2023 were 37,361 tons, up 19 percent from 2022. Korea’s tariff for milk from the United States and the EU will be 0 in 2026.

Figure 8 Korean Import of Sterilized Milk (Ton)



Source: MAFRA

Export Guidance:

All U.S. dairy product exports to Korea intended for human consumption must be accompanied by a dairy export certificate issued by USDA’s Agricultural Marketing Service (AMS). The requirement for an AMS export certificate applies to all dairy products shipped to Korea on or after July 1, 2021. This includes dairy products containing eggs, such as ice cream. The AMS dairy certificate is available in the [Agriculture Trade Licensing & Attestation Solution \(ATLAS\)](#) system. Exporters will first need to create an ATLAS account with AMS to access the system.

Certificate requirements are summarized in an FAS GAIN report: [Update on New Korean Dairy Certificate](#) and on the USDA [AMS website](#). Inquiries about ATLAS and the certificate application process can be directed to DairyExportsQuestions@usda.gov.

Additionally, establishments of dairy products entering Korea must first be registered with Korea's Ministry of Food and Drug Safety (MFDS). This process is initiated by the exporting government. Details on registration requirements are available in the [South Korea Food and Agricultural Import Regulations and Standards \(FAIRS\) country report](#). For U.S. exporters, required documents should be sent to FAS/Seoul (agseoul@fas.usda.gov).

Commodities:

Dairy, Cheese

Table 3. Commodity, Dairy, Cheese, Production, Supply and Distribution

Dairy, Cheese	2023		2024		2025	
	Jan 2023		Jan 2024		Jan 2025	
Korea, Republic of	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	26	26	27	25	0	14
Production (1000 MT)	45	31	50	28	0	27
Other Imports (1000 MT)	162	162	130	132	0	150
Total Imports (1000 MT)	162	162	130	132	0	150
Total Supply (1000 MT)	233	219	207	187	0	191
Other Exports (1000 MT)	1	1	1	1	0	1
Total Exports (1000 MT)	1	1	1	1	0	1
Human Dom. Consumption (1000 MT)	205	193	195	170	0	180
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	205	193	195	170	0	180
Total Use (1000 MT)	206	194	196	171	0	181
Ending Stocks (1000 MT)	27	25	11	14	0	10
Total Distribution (1000 MT)	233	219	207	185	0	191
(1000 MT)						

Production:

FAS/Seoul forecasts 2025 domestic cheese production to drop to 27,000 tons due to high production costs.

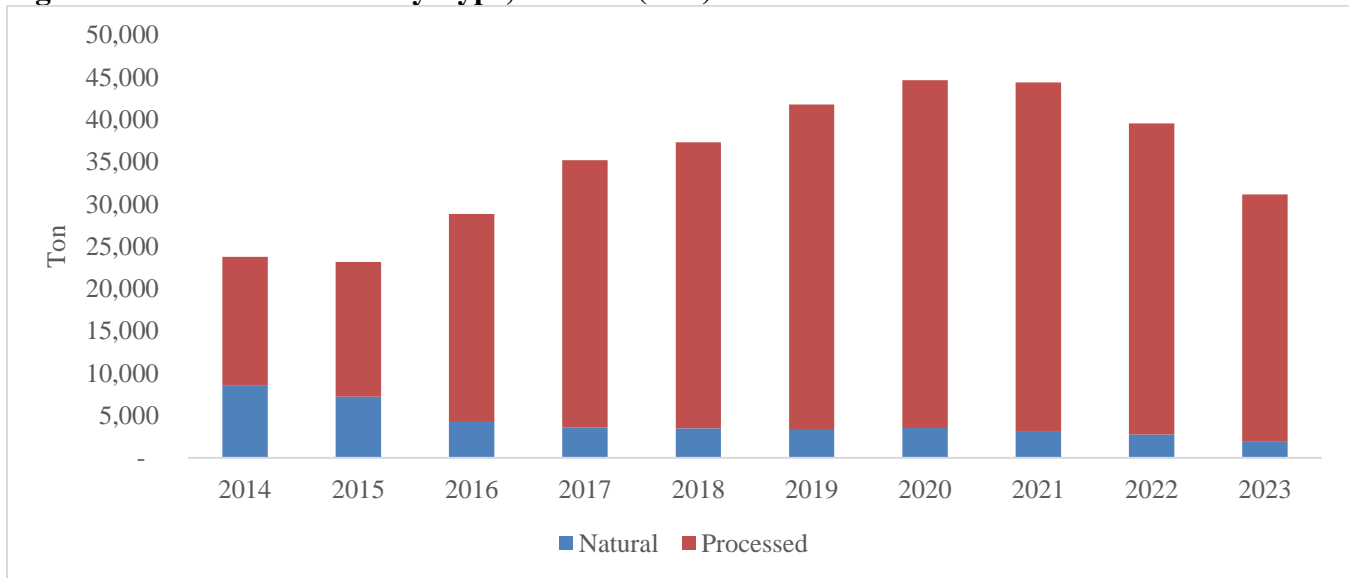
Due to cost, processors use minimal amounts of domestic milk to produce cheese. Until recent changes, the price of raw milk was based on the production cost. In October 2023, the Korean government introduced the “Pricing Scheme Based on Usage” through which the raw milk price is set according to whether the milk is for fluid use or processing use. The Government introduced this policy to motivate processors to use local raw milk when producing processed dairy products such as cheese, butter, and ice cream.

Since August 2024, the Korean government has set the price of raw milk for processing use at 882 won (\$0.64) per liter, which is 18.5 percent lower than raw milk for fluid use, but still around two times higher than the 400-500 won (\$0.29-\$0.37) per liter price range for imported milk. The new pricing scheme is only applied to 109,000 tons of raw milk for processing use, which is less than 10 percent of

the total raw milk used to produce processed dairy products. As a result, processors predominately use domestic milk for premium cheese products.

Production of both fresh and processed cheese has been declining since 2021. Fresh cheese production continues to decline due to the high cost of domestic, raw milk. Despite the price of raw milk used for processing dropping as a result of the “Pricing Scheme Based on Usage,” domestic milk is still not price competitive with imported raw milk. Production of processed cheese had been experiencing rapid growth through 2021 but over the past few years that trend has reversed.

Figure 9 Cheese Production by Type, 2014-23 (Ton)



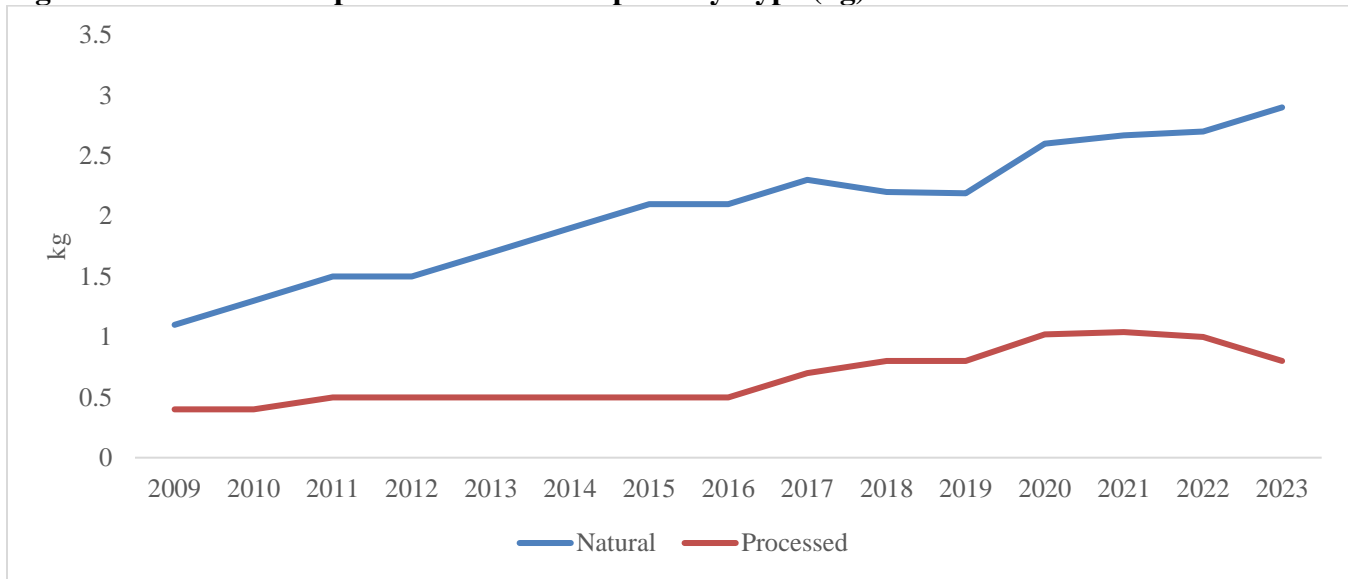
Source: MAFRA

Consumption:

FAS/Seoul forecasts 2025 cheese consumption to increase to 180,000 tons, following recent trends of greater and more diversified cheese consumption. Per capita cheese consumption has increased by 168 percent over the last ten years. Korea’s food culture and tastes have become more westernized and Korean consumers are eating a wider variety of cheeses. Inflation and cost of living concerns will inhibit cheese consumption growth to some extent.

Both direct cheese consumption and cheese consumption by the food processing industry will continue to grow in 2025 due to evolving taste preferences and innovative products. In the past, cheese consumption was limited to cheddar slices for sandwiches and hamburgers, or mozzarella for pizzas. Through 2010, sliced cheese accounted for around 50 percent of the products in the Korean cheese market. In recent years, cheese has become a popular snack for both kids and adults.

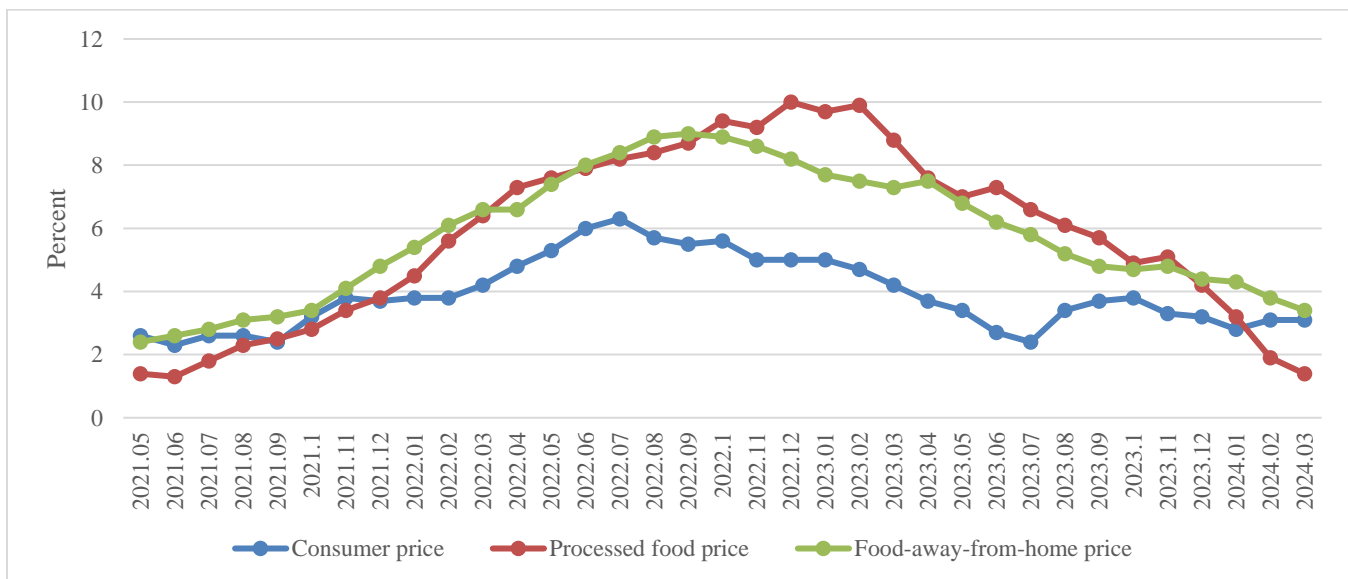
Figure 10 Korea Per Capita Cheese Consumption by Type (kg)



Source: Korea Dairy Industries Association

Despite the macroeconomic factors, FAS Seoul forecasts the upward consumption trend will continue in 2025. The Bank of Korea forecasts consumer prices to rise by 2.1 percent in 2025. While the Bank of Korea expects inflation to gradually ease, food prices remain uncertain due to various factors such as adverse weather conditions, spike in energy prices, high agricultural commodity prices, and unstable exchange rates. As of February 2024, processed food product price increases (1.4 percent) were below overall consumer price increases (3.1 percent) for the first time in two years, although consumer perception of high food price inflation continues. Food-away-from-home price increases have been higher than the consumer price increase for 34 consecutive months (See Figure 11).

Figure 11 Korea Price Increase Comparison (Increase rate compared to same month previous year, percent)

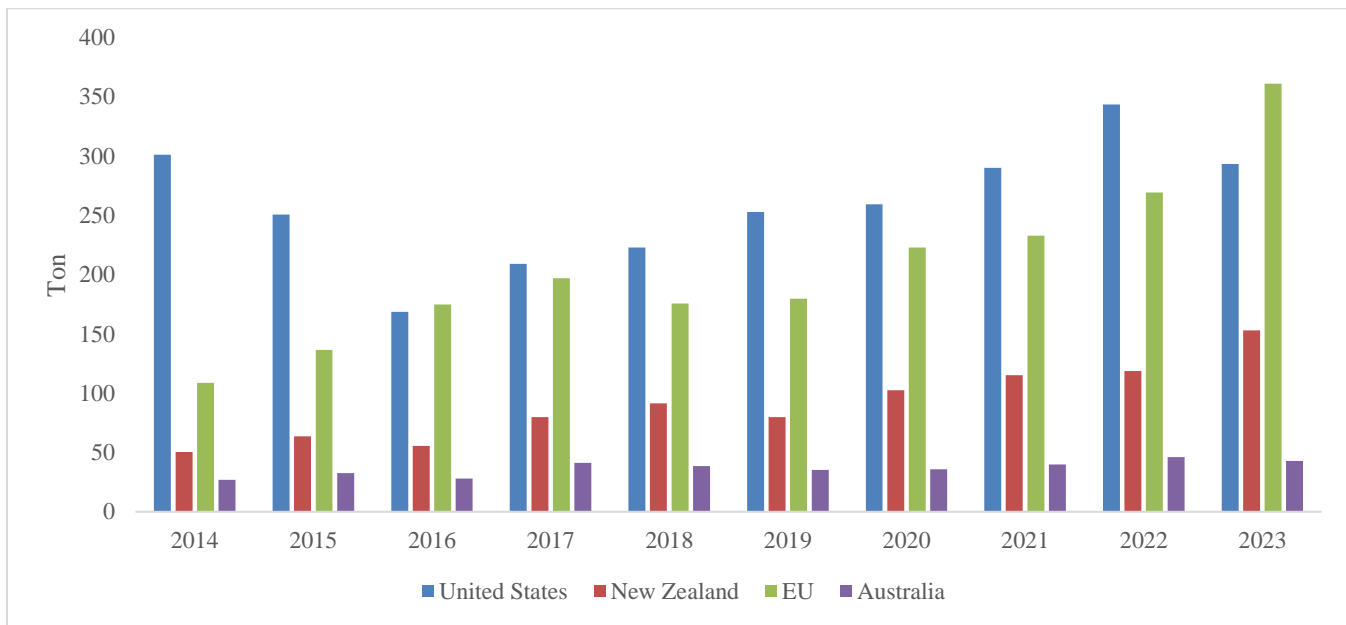


Source: Statistics Korea

Trade:

FAS Seoul forecasts 2025 cheese imports to increase to 150,000 tons. The demand for cheese continues to grow, but importers are struggling with fluctuations in the exchange rate and a weakening Korean won. Nevertheless, cheese imports show an overall increasing trend due to tariff reductions, tariff-rate quota (TRQ) increases, consumption growth, and limited domestic production. In 2023, cheese imports reached 161,753 metric tons, with a compound annual growth rate (2015-2023) of 4.76%.

Figure 12 Korean Cheese Imports 2014-2023 (Ton)



Source: Korea Customs Office 2016, HS 0406, Cheese and Curd

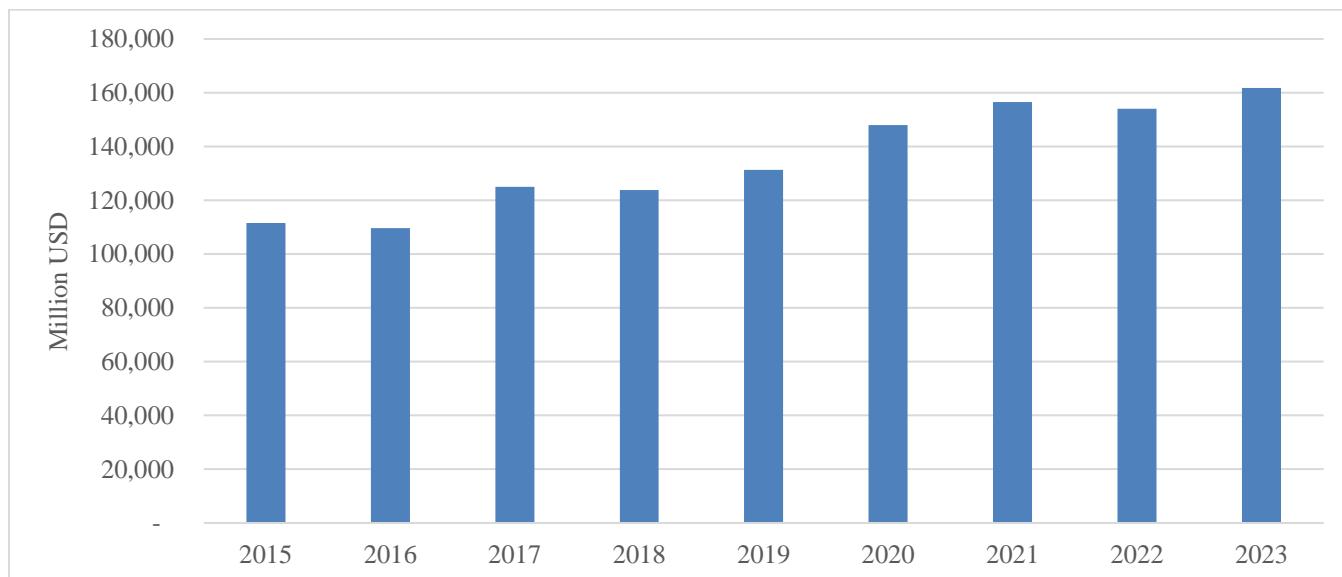
In 2023, the top cheese exporters to Korea, by value, were European Union (42.47%), United States (34.5%), New Zealand (18.0%), and Australia (5.0%). Korea has free trade agreements with all these countries, reducing import duties and making imported cheese increasingly more affordable. Importers will continue to seek lower priced cheese options as inflation and cost of living continue to weigh on consumer spending patterns.

Tariff reductions and TRQ increases under the U.S.-Korea Free Trade Agreement (KORUS FTA) have helped boost U.S. cheese exports. Korea imported 54,795 tons (\$293.5 million) of cheese from the United States in 2023. However, the market is highly competitive. The European Union (EU) signed a free trade agreement with Korea in 2011, before the KORUS FTA was implemented in 2012, giving EU products an early advantage in the market. In addition, Korea became a target export market for the EU after Russia put restrictions on European agricultural exports. Korea implemented FTAs with New Zealand and Australia in 2016, resulting in more cheese imports from these countries as well.

The KORUS FTA created a zero-duty tariff-rate quota for cheeses covered under tariff lines 0406101000, 0406200000, 0406300000, and 0406900000. The in-quota amount is 10,278 tons in 2025,

and all U.S. cheese will enter duty-free by 2026. The Korea Dairy Industries Association administers the TRQs and allocates the in-quota quantity to historical and new importers through a licensing system.

Figure 13 Korea Cheese Imports (Million USD)



Source: Korea Customs Office, HS 0406, Cheese and Curd

Table 4. Cheese Tariff Phase-Out Schedule under the United States-Korea FTA

HS Code	Description	Base Rate	2012	2013	2014	2015	...	2021	2022	2023	2024	2025	2026
0406101000	Fresh Cheese	36.0%	33.6%	31.2%	28.8%	26.4%	...	12.0%	9.6%	7.2%	4.8%	2.4%	0.0%
0406102000	Curd	36.0%	32.4%	28.8%	25.2%	21.6%	...	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0406200000	Grated or powdered cheese of all kinds	36.0%	33.6%	31.2%	28.8%	26.4%	...	12.0%	9.6%	7.2%	4.8%	2.4%	0.0%
0406300000	Processed cheese, not grated or powdered	36.0%	33.6%	31.2%	28.8%	26.4%	...	12.0%	9.6%	7.2%	4.8%	2.4%	0.0%
0406400000	Blue-veined cheese	36.0%	32.4%	29.0%	25.4%	21.8%	...	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0406900000	Cheese, NES, including cheddar	36.0%	33.6%	31.2%	28.8%	26.4%	...	12.0%	9.6%	7.2%	4.8%	2.4%	0.0%
	TRQ Volume (MT)		7,000	7,210	7,426	7,649	...	9,133	9,407	9,690	9,980	10,278	10,584

Table 5. Cheese Tariff Phase-Out Schedule under the European Union-South Korea FTA

HS Code	Description	Base Rate	2019	2020	2021	2022	2023	2024	2025	2026
0406101000	Fresh Cheese	36.0%	18.0%	15.7%	13.5%	11.2%	9.0%	6.7%	4.5%	2.3%
0406102000	Curd	36.0%	9.8%	6.5%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%
0406200000	Grated or powdered cheese of all kinds	36.0%	18.0%	15.7%	13.5%	11.2%	9.0%	6.7%	4.5%	2.3%
0406300000	Processed cheese, not grated or powdered	36.0%	18.0%	15.7%	13.5%	11.2%	9.0%	6.7%	4.5%	2.3%
0406400000	Blue-veined cheese	36.0%	9.8%	6.5%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%
0406900000	Cheese, NES,	36.0%	18.0%	15.7%	13.5%	11.2%	9.0%	6.7%	4.5%	2.3%

	including cheddar									
	TRQ Volume (MT)		5,444	5,608	5,776	5,949	6,128	6,314	6,508	6,711

Table 6. Cheese Tariff Phase-Out Schedule under the Korea-New Zealand FTA

HS Code	Description	Base Rate	2019	2020	2021	2022	2023	2024	2025	2026
0406101000	Fresh Cheese	36.0%	21.0%	18.0%	15.0%	12.0%	9.0%	6.0%	3.0%	0.0%
0406102000	Curd	36.0%	24.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%
0406200000	Grated or powdered cheese of all kinds	36.0%	24.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%
0406300000	Processed cheese, not grated or powdered	36.0%	24.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%
0406400000	Blue-veined cheese	36.0%	24.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%
0406900000	Cheese, NES, including cheddar	36.0%	24.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%
	TRQ Volume (MT)				5,669	5,839	6,014	6,194	6,379	6,569

Table 7. Cheese Tariff Phase-Out Schedule under the Korea-Australia FTA

HS Code	Description	Base Rate	2019	2020	2021	2022	2023	2024	2025	2026
0406101000	Fresh Cheese	36.0%	24.0%	22.0%	20.0%	18.0%	16.0%	14.0%	12.0%	10.0%
0406102000	Curd	36.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%	4.8%
0406200000	Grated or powdered cheese of all kinds	36.0%	25.2%	23.4%	21.6%	19.8%	18.0%	16.2%	14.4%	12.6%
0406300000	Processed cheese, not grated or powdered	36.0%	24.0%	22.0%	20.0%	18.0%	16.0%	14.0%	12.0%	10.0%
0406400000	Blue-veined cheese	36.0%	21.6%	19.2%	16.8%	14.4%	12.0%	9.6%	7.2%	4.8%
0406900000	Cheese, NES, including cheddar	36.0%	25.2%	23.4%	21.6%	19.8%	18.0%	16.2%	14.4%	12.6%
	TRQ Volume (MT)		5,367	5,528	5,694	5,865	6,041	6,222	6,408	6,599

Commodities:

Dairy, Milk, Nonfat Dry

Table 8. Commodity, Dairy, Milk, Nonfat Dry, Production, Supply and Distribution

Dairy, Milk, Nonfat Dry	2023		2024		2025	
	Jan 2023		Jan 2024		Jan 2025	
Market Year Begins	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Korea, Republic of	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	11	11	11	9	0	11
Production (1000 MT)	8	6	8	12	0	12
Other Imports (1000 MT)	8	8	10	10	0	10
Total Imports (1000 MT)	8	8	10	10	0	10
Total Supply (1000 MT)	27	25	29	31	0	33
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Human Dom. Consumption (1000 MT)	16	16	18	20	0	20
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	16	16	18	20	0	20
Total Use (1000 MT)	16	16	18	20	0	20
Ending Stocks (1000 MT)	11	9	11	11	0	13
Total Distribution (1000 MT)	27	25	29	31	0	33
(1000 MT)						

Production:

FAS/Seoul forecasts 2025 domestic NFDM production at 11,000 tons. With the decrease in milk production, the NFDM inventory will continue to decline.

The Korean government implemented a policy to increase milk production in 2010 after 30,000 milk cows were slaughtered due to an outbreak of foot and mouth disease. The policy resulted in excess milk production in 2014 and 2015. The excess milk was turned into dried milk, and dried milk stocks increased from 7,053 tons in 2013 to 17,532 tons in 2014. Since then, the government has sought to manage milk production and decrease dried milk stocks. The government and industry target 5,000 to 6,000 tons as a normal range for dried milk inventories.

Consumption:

FAS/Seoul forecasts 2025 domestic consumption to remain stable at 20,000 tons. Processors primarily use NFDM in baked goods, infant formula, and as an ingredient in other dairy products such as drinking yogurt and powdered milk products.

Korea’s fertility rate is steadily declining, and dropped to 0.72 in 2023, according to Statistics Korea -- a record low. Due to this decline, dairy product manufacturers, facing weak fluid milk and infant formula demand, are working to diversify their business portfolios.

Processors are targeting the adult and senior powdered milk market. In 2018, Maeil Dairies was the first to enter the market by launching a brand for nutritional meals for adults called ‘Selects,’ and a powdered milk product for adults called ‘Core Protein.’ Namyang launched a powdered milk product for adults in 2019, and Lotte Food and Ildong Food also entered the market with similar products in 2020.

Domestic NFDM is around three times more expensive than imported NFDM.

Trade:

FAS/Seoul forecasts 2025 NFDM imports to remain stable at 10,000 tons.

Korea maintains a TRQ for NFDM. The TRQ is allocated through an Imports Rights Auction (IRA). The quasi-governmental Korea Agro Fisheries & Food Trade Corporation (also known as “aT”) manages these auctions. The Korea Customs Service reimburses the 176 percent out-of-quota tariff to importers when they have re-exported processed dairy-based products made from imported NFDM. Korean dairy manufacturing companies are looking forward to expanding market opportunities for exporting to China. Local food processors import NFDM for processing into infant formula, bakery use, and use in other dairy products, and re-export.

Table 9. NFDM Tariff and TRQ Schedule on Korea-US FTA Implementation

HS Code	Description	Base Rate	2012	2013	2014	2015	...	2021	2022	2023	2024	2025	2026
040210	In powder, fat content not exceeding 1.5%	176%	176%	176%	176%	176%	...	176%	176%	176%	176%	176%	176%
	Duty free quota (MT)*		5,000	5,150	5,304	5,463	...	6,524	6,720	6,922	7,130	7,344	7,564

* Additional compound increase of 3% every year

Attachments:

No Attachments