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Report Highlights: The year 2001 heralded in liberalization of Korea's cattle and beef markets along with major food safety issues in Europe. Consumer interest in imported beef and pork waned initially, but since the fourth quarter is showing signs of recovery. On September 10, Korea rescinded its dual retail distribution system. With several major events scheduled in 2002 and the economy slowly recovering, the market holds promising opportunities for U.S. beef. Korea plans to initiate pork exports to Japan the latter half of 2002 after a two-year hiatus.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Section I: Situation and Outlook

The roller-coaster the Korean livestock sector rode in 2001 is still moving. On January 1, 2001, the Korean livestock and products market became fully liberalized. Local fears of the market's eminent collapse prior to that date had supported a contraction mind set that kept producers hostage and the market gyrating for several years. While market collapse fears did not bear fruit, the market did remain unstable during 2001 due to a host of events. In the spring, Korean media's in-depth coverage of European BSE and FMD outbreaks sparking a negative backlash in domestic consumption of beef of all origins. In April, Australia attempted to export live cattle to Korea, but due to strong and sometimes violent protests by Korean livestock organizations, this initial effort failed. On September 10, 2001, Korea removed the last vestige of its separate distribution system for beef, opening new market opportunities for U.S. suppliers in the process. In September, Japan reported its first case of BSE in domestic cattle, generating new fears and concerns between consumers and producers alike as to the safeness of the beef supply both domestic and imported. September 11 initiated a world slowdown in the economy, encouraging more cautious consumption patterns among Korean consumers. In December the Livestock Products Marketing Organization (LPMO), created to handle imported beef under the MMA quota program, dissolved with distribution of its remaining stock which, until then had been a competitive product for imported beef.

Despite such food scares over imported beef, the Korean cattle and beef prices soaring to record highs due to low inventory coupled with aggressive promotion of the safeness of imported beef by the trade, consumption of imported beef showed signs of a turnaround in the fourth quarter 2001. Promotion of chilled beef is also attracting favorable interest of consumers for imported beef.

The national cattle herd continues to contract overall driven now mostly by producers desiring to capture the record high live cattle prices. Government incentives to retain breeding stock should eventually slow the contraction of the national herd. But it will take some time. Beef production continues to decline as a result of fewer animals moving into processing channels. Excessive anxiety over the unchartered waters of market liberalization drove many producers to overly cull herds in years prior to 2001. High market prices now are exacerbating the contraction situation. As beef imports increase and as government incentive programs to retain breeding stock begin to take hold, Hanwoo cattle and beef market prices should stabilize, possibly the latter half of 2002. Hanwoo cattle inventory numbers are expected to continue to contract until 2003. With the Livestock Products Marketing Organization (LPMO) selling off its 2000 quota-purchased stock (at a rate of about 5,000 MT per month throughout 2001) and European and Japanese food safety scares (BSE & FMD) souring interest in imported beef, traders were unable to attract consumer interest as domestic prices' rose. Australia, initiating the first attempt to sell live cattle in the newly liberalized market, encountered violent protest by the Korean livestock organizations. Undaunted, Australia is renewing efforts in 2002 to bring live cattle into the market. The "Live Cattle Importers Association," a coalition of importers and livestock producers, was formed recently to exchange information and develop marketing strategy for imports of live cattle planned for the spring 2002. Early in 2002, the Australian Meat & Livestock Corporation, an Australian livestock promotion organization, dispatched a team to lay the foundation for a smooth transfer of live cattle into Korea this year.

In September 2001, the Organization International de Epiological (OIE) recognized Korea as free of the Foot & Mouth Disease (FMD). Korea is now involved in negotiations with other countries over new animal health protocols. As Korea does not export Hanwoo beef, the OIE recognition is expected to have a positive impact on pork exports.

On a sectorial basis:

Cattle and beef: The national Hanwoo herd should continue the contraction process through 2002, a process that begun prior to 2000 on fear of a potential market collapse with the 2001 cattle/beef markets liberalization. Consumer concern over international food safety scares and market concern over the shrinking Hanwoo herd supplanted market liberalization fears in 2001, driving prices of live-weight and processed products to record levels as producers attempted to service rising demand for domestic meat. Market pressure should remain oppressive in 2002 as producers seek to satisfy an expected increase in demand generated by three major events, not including national holidays, relying on a shrinking cattle inventory base. U.S. beef suppliers should be in prime position to offset the shortfall in domestic stocks during these events.

On September 10, 2001, Korea dismantled its separate beef retail distribution to comply with the WTO ruling which found the system illegal for its discriminatory nature. Adjustments in the market to the system's dismantlement have been slow, for a number of reasons - established store infrastructure, gaugement of public perception, sensitivity to client demand, etc. Newly constructed outlet stores are introducing unified retail display of beef to non-descript market reaction. Time is needed for the market to adjust after 10 years of government control.

In December 2001, the Livestock Products Marketing Organizations (LPMO) sold off its remaining inventory and officially dissolved. Its dissolvement should create opportunities for the U.S. to expand market share, specifically in the fresh/chilled market. Better understanding of regulatory requirements for marketing of product stored in different physical states (frozen vs. chilled) will be needed. For their part, the Korean government has promised to complete its scientific review of regulations controlling transfer of product between storage states (chilled/frozen) by mid-year 2002.

U.S. efforts to convince Korea to first suspend, then repeal, its six-month residency requirement for beef labeling proved successful. On December 4, 2001, the Korean government officially rescinded the six-month residency provision for beef.

Swine and pork: Three major events, i.e., 2002 FIFA World Cup and national elections, prospects for resumption of pork exports to Japan and record high domestic beef prices are factors spurring swine production in 2002. With OIE's recognition of Korea as FMD-free in September 2001, producers now are gearing production to resume pork export activities. While export markets currently are few, limited to Russia, the Phillippines and Hong Kong, Korea has designs on re-entering the lucrative Japanese market in the second half 2002. Despite their recognition by the OIE as FMD-free, Korea remains temporarily blocked from the Japanese market due to a previous hog cholera problem. Korea discontinued vaccinating swine against hog cholera in December 2001, but must wait under Japanese regulation for six-months after application of the last vaccination before it can apply for reinstatement of export privileges to Japan.

Section II: Statistical Tables: Cattle and Beef

PSD: Cattle

PSD Table						
Country	Korea, Republic of					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Total Cattle Beg. Stks	2487	2487	2134	2134	2038	1954
Dairy Cows Beg. Stocks	306	306	312	312	312	318
Beef Cows Beg. Stocks	726	726	593	593	550	532
Production (Calf Crop)	657	657	665	554	578	544
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	1	1	1	1
TOTAL Imports	0	0	1	1	1	1
TOTAL SUPPLY	3144	3144	2800	2689	2617	2499
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	3	0	0	0
TOTAL Exports	0	0	3	0	0	0
Cow Slaughter	548	548	415	369	330	300
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	450	450	340	360	280	320
Total Slaughter	998	998	755	729	610	620
Loss	12	12	7	6	7	6
Ending Inventories	2134	2134	2038	1954	2000	1873
TOTAL DISTRIBUTION	3144	3144	2803	2689	2617	2499
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD: Beef

PSD Table						
Country	Korea, Republic of					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Slaughter (Reference)	998	998	755	729	610	620
Beginning Stocks	66	66	79	79	40	10
Production	278	278	210	220	170	190
Intra EC Imports	0	0	0	0	0	0
Other Imports	280	280	230	200	250	360
TOTAL Imports	280	280	230	200	250	360
TOTAL SUPPLY	624	624	519	499	460	560
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	545	545	479	489	430	550
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	545	545	479	489	430	550
Ending Stocks	79	79	40	10	30	10
TOTAL DISTRIBUTION	624	624	519	499	460	560
Calendar Yr. Imp. from U.S.	156	156	180	112	215	205
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Korea: Beef Imports (2000 - 2001)

Country	2000	2001
	Revised	Preliminary
	(In metric tons, product weight equivalent)	
U.S.A.	133,235	98,200
Australia	69,995	55,000
Canada	18,762	7,600
New Zealand	11,022	9,900
Uruguay	4,653	1,800
Others	275	500
TOTAL	237,942	173,000

Source: Korea Customs Service, Office of Ag. Affairs
Product Weight Equivalent

Korea: Beef Imports (Annual 2000, First Eleven Months of 2000 and 2001)

(Unit: MT & $000)

Country	Annual 2000		Jan. - Nov., 2000		Jan. - Nov., 2001	
	Volume	Value	Volume	Value	Volume	Value
U.S.A.	133,235	491,802	121,943	452,664	89,979	280,872
Australia	69,995	134,698	63,698	123,141	50,401	104,427
Canada	18,762	61,862	17,412	57,645	6,930	17,716
New Zealand	11,022	26,352	10,279	24,543	9,120	19,077
Uruguay	4,653	7,780	4,206	7,162	1,646	2,984
Japan	160	148	160	148	208	207
Ukraine	85	199	85	199	0	0
Other	30	124	31	124	121	307
TOTAL	237,942	722,965	217,814	665,626	158,405	425,590

Source: Korea Customs Service, Product Weight Equivalent

Korea: Processed Beef Imports (Annual 2000, First Eleven Months of 2000 and 2001)

(Unit: MT & $000)

Country	Annual 2000		Jan. - Nov., 2000		Jan. - Nov., 2001	
	Volume	Value	Volume	Value	Volume	Value
U.S.A.	88	198	83	177	57	196
Australia	1	8	1	8	14	35
PRC	1	2	1	2	68	26
Other	2	7	2	7	5	17
TOTAL	92	215	87	194	144	274

Source: Korea Customs Service, Product Weight Equivalent (HS 021020 and 160250)

Exports of processed beef products was minimal. Korea exported a total of 23 metric tons during the first 11 months of 2001, compared to 7 metrics for total 2000.

Korea: Cattle Slaughter Trend

Month/Year	Total	Cows	Steers
	(Heads slaughtered)		
Total 1997	1,125,281	573,954	551,327
Total 1998	1,282,290	643,266	639,024
Total 1999	1,096,207	614,325	481,882
Total 2000	997,331	547,745	449,586
Total 2001	729,245	369,039	360,206
January, 2001	114,880	57,845	57,035
February, 2001	35,261	20,517	14,744
March, 2001	46,065	25,641	20,424
April, 2001	50,157	26,593	23,564
May, 2001	56,630	29,389	27,241
June, 2001	54,251	27,194	27,057
July, 2001	58,756	28,616	30,140
August, 2001	63,785	30,667	33,118
September, 2001	104,247	46,493	57,754
October, 2001	43,011	22,104	20,907
November, 2001	51,729	27,304	24,425
December, 2001	50,473	26,676	23,797

Source: Ministry of Agriculture & Forestry.

Korea: Live Hanwoo Beef Cattle Prices

(Won per head, US$1=1,311 won)

Month/Year	Calf		500 Kg	
	Female	Male	Female	Male
1996 Average	1,506,000	1,567,000	2,853,000	2,848,000
1997 Average	733,000	1,046,000	2,159,000	2,426,000
1998 Average	535,000	658,000	1,887,000	2,007,000
1999 Average	774,000	1,024,000	2,401,000	2,488,000
2000 Average	1,103,000	1,294,000	2,872,000	2,752,000
2001 Average	1,700,000	1,765,000	3,510,000	3,280,000
July, 2000	1,130,000	1,286,000	2,803,000	2,473,000
August, 2000	1,169,000	1,318,000	2,897,000	2,580,000
September, 2000	1,166,000	1,315,000	2,907,000	2,594,000
October, 2000	1,223,000	1,364,000	2,984,000	2,870,000
November, 2000	1,238,000	1,372,000	3,021,000	3,029,000
December, 2000	1,191,000	1,339,000	2,980,000	2,900,000
January, 2001	1,191,000	1,335,000	2,985,000	2,807,000
February, 2001	1,297,000	1,426,000	2,964,000	2,743,000
March, 2001	1,416,000	1,500,000	2,973,000	2,680,000
April, 2001	1,519,000	1,581,000	3,009,000	2,691,000
May, 2001	1,607,000	1,640,000	3,058,000	2,665,000
June, 2001	1,731,000	1,732,000	3,120,000	2,715,000
July, 2001	1,855,000	1,855,000	3,373,000	3,034,000
August, 2001	1,847,000	1,876,000	3,649,000	3,344,000
September, 2001	1,888,000	1,931,000	3,857,000	3,585,000
October, 2001	1,975,000	2,044,000	4,030,000	3,953,000
November, 2001	2,098,000	2,165,000	4,539,000	4,618,000
December, 2001	1,978,000	2,098,000	4,565,000	4,531,000

Source: Ministry of Agriculture & Forestry, National Agricultural Cooperatives Federation

Korea: Hanwoo Cattle Inventory

(1,000 Household, 1,000 Head)

Month/ Year	House-hold	Total Stock	By Age			Cow	
			Under 1 year old	1-2 year old	Over 2 year old	1-2 year old	Over 2 year old
Sep. ‘96	518	2,890	1,180	482	1,228	254	1,214
Dec. ‘96	513	2,844	1,131	488	1,225	259	1,209
Mar. ‘97	509	2,827	1,109	492	1,226	270	1,210
Jun. ‘97	501	2,927	1,215	494	1,218	280	1,204
Sep. ‘97	482	2,880	1,191	528	1,161	277	1,146
Dec. ‘97	465	2,735	1,102	535	1,098	275	1,082
Mar. ‘98	474	2,762	1,043	580	1,139	300	1,118
Jun. ‘98	466	2,750	1,058	588	1,104	305	1,082
Sep. ‘98	450	2,633	1,015	585	1,033	306	1,013
Dec. ‘98	427	2,383	895	556	932	296	913
Mar. ‘99	413	2,198	812	503	883	276	862
Jun. ‘99	399	2,167	801	512	854	280	834
Sep. ‘99	372	2,094	758	520	816	272	794
Dec. ‘99	350	1,952	717	489	746	256	726
Mar. ‘00	336	1,819	646	461	712	239	690
Jun. ‘00	326	1,801	666	434	701	215	678
Sep. ‘00	305	1,713	642	412	659	199	639
Dec. ‘00	290	1,590	589	390	611	188	593
Mar. ‘01	267	1,476	540	361	575	172	556
Jun. ‘01	260	1,507	544	383	580	178	562
Sep. ‘01	247	1,485	544	370	571	171	552
Dec. ‘01	235	1,406	506	351	549	163	532

Source: National Agricultural Quality Service

Note: Total animal numbers may not add up, due to rounding.

Korea: Hanwoo cattle - Cow/Calf Ratio (1,000 Head)

Month/Year	Calf (under 1 year)	Cow (Over 1 year)	Ratio (%)
Sep. ‘96	1,180	1,468	80.4
Dec. ‘96	1,131	1,468	77.0
Mar. ‘97	1,109	1,480	74.9
Jun. ‘97	1,215	1,484	81.9
Sep. ‘97	1,191	1,423	83.7
Dec. ‘97	1,102	1,357	81.2
Mar. ‘98	1,043	1,418	73.6
Jun. ‘98	1,058	1,387	76.3
Sep. ‘98	1,015	1,319	77.0
Dec. ‘98	895	1,209	74.0
Mar. ‘99	812	1,138	71.4
Jun. ‘99	801	1,114	71.9
Sep. ‘99	758	1,066	71.1
Dec. ‘99	717	982	73.0
Mar. ‘00	646	929	69.5
Jun. ‘00	666	893	74.6
Sep. ‘00	642	838	76.6
Dec. ‘00	589	781	75.4
Mar. ‘01	540	728	74.2
Jun. ‘01	544	740	73.5
Sep. ‘01	544	723	75.2
Dec. ‘01	506	695	72.8

Source: National Agricultural Quality Service

Korea: Beef Consumption Trend: 1999-2001

(1,000 Metric Tons)

Month	Domestic Beef			Imported Beef			Total Beef		
	1999	2000	2001	1999	2000	2001 1/	1999	2000	2001 1/
January	21.1	25.6	25.2	12.5	18.4	*19.8*	33.6	44.0	*45.0*
February	25.1	12.9	7.6	9.9	13.8	*10.0*	35.0	26.7	*17.6*
March	17.8	15.8	10.1	11.2	14.8	*14.3*	29.0	30.6	*24.4*
April	18.5	14.6	11.1	11.5	13.3	*9.4*	30.0	27.9	*20.5*
May	18.6	19.5	12.7	10.8	16.7	*10.1*	29.4	36.2	*22.8*
June	18.5	18.3	12.4	10.6	13.4	*9.7*	29.1	31.7	*22.1*
July	20.6	14.7	13.3	10.6	13.1	*13.6*	31.2	27.8	*26.9*
August	21.3	20.2	14.4	13.6	17.4	*15.3*	34.9	37.6	*29.7*
September	26.3	22.1	23.6	17.1	18.6	*18.5*	43.4	40.7	*42.1*
October	15.1	15.9	N/A	13.3	16.5	*N/A*	28.4	32.4	*N/A*
November	17.5	16.3	N/A	15.4	16.0	*N/A*	32.9	32.3	*N/A*
December	19.2	16.3	N/A	16.6	18.1	*N/A*	35.8	34.4	*N/A*
TOTAL	239.6	212.2	130.4	153.1	190.1	*120.7*	392.7	402.3	*251.1*

Source: Ministry of Agriculture & Forestry, National Agricultural Cooperatives Federation

Note: 1/ MAF discontinued providing monthly consumption data for both domestic and imported beef. With import liberalization of the beef market, as it was difficult to track monthly consumption data for imported beef, gathering information on domestic beef consumption was meaningless. The information provided above is what is available prior to MAF's discontinuation of data collection. The consumption data for imported beef in 2001 is based on the volume clearing Korea Customs Service for the given month.

Korea: Cattle/Beef Tariff Table for CY2002

(N: In-quota / M: Out of quota)

Tariff Number	Product Description	WTO Bound Rate	Current Applied Rate	Other Info.
0102.10.1000	Pure-bred breeding milch cow	N: 0 M: 91.1%	N: 0 M: 91.1%	Total In-quota amounts for these three HS numbers are 972 heads.
0102.10.2000	Pure-bred breeding beef cattle	N: 0 M: 91.1%	N: 0 M: 91.1%	
0102.10.9000	Pure-bred breeding - other	N: 0 M: 91.1%	N: 0 M: 91.1%	
0102.90.1000	Other milch cow	40.9 %	40.9 %	Import was liberalized on Jan. 1, 2001.
0102.90.2000	Other beef cattle	40.9 %	40.9 %	
0102.90.9000	Other	0	0	
0201.00.0000	Beef (Fresh or chilled)			
0201.10.0000	Carcass and half-carcass	40.9 %	40.9 %	Import was liberalized on Jan. 1, 2001.
0201.20.0000	Other cuts with bone in	40.9 %	40.9 %	
0201.30.0000	Boneless	40.9 %	40.9 %	
0202.00.0000	Beef (Frozen)			
0202.10.0000	Carcass and half-carcass	40.9 %	40.9 %	Import was liberalized on Jan. 1, 2001.
0202.20.0000	Other cuts with bone in	40.9 %	40.9 %	
0202.30.0000	Boneless	40.9 %	40.9 %	
0206.10.0000	Beef offal (Fresh or chilled)	18.4 %	18.4 %	
0206.20.0000	Beef offal (Frozen)			
0206.21.0000	Tongues	19.1 %	19.1 %	
0206.22.0000	Livers	19.1 %	19.1 %	
0206.29.0000	Other			
0206.29.1000	Tails	18.4 %	18.4 %	
0206.29.2000	Feet	18.4 %	18.4 %	
0206.29.9000	Other	18.4 %	18.4 %	

0210.20.0000	Meat & edible meat offal of bovine animals, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal of bovine animals			
0210.20.1000	Dried or smoked	27.6%	27.6%	
0210.20.9000	Other	27.6%	27.6%	
1602.50.0000	Other prepared or preserved meat, meat offal or blood, of bovine animals			
1602.50.1000	In airtight containers	73.6%	73.6%	
1602.50.9000	Other	73.6%	73.6%	

Source: Korea Customs and Trade Institute
N: in-quota rate; M: out-quota rate.

Section III: Cattle, Beef, and Veal

Production

Contraction of the national Hanwoo herd continued throughout calendar year 2001. Leading into 2001, domestic producers had embarked on the contraction track over fears of liberalization of Korea's cattle and beef market on January 1, 2001. Health safety fears over BSE and FMD outbreaks in Europe in spring 2001 and Japan in fall 2001 sparked strong consumer demand for domestic products. Domestic producers, attracted to market signals, rushed to slaughter marketable animals, prolonging the industry's contraction.

To moderate market indicators in 2001 the Ministry of Agriculture and Forestry (MAF) initiated several programs, including the Hanwoo Integrated Measures Program, to stimulate greater on-farm retention of breeding stock and calf production. The effect of these programs on the national herd should start to appear the latter half of 2002 in the form of a slower rate of slaughter, a more stable market, and an increase in the cow/calf ratio.

Major MAF initiatives expected to have an impact on production in 2002 include:

<u>Project for Stabilization of Calf Production:</u> This program establishes a market floor price (minimum standard price) for calves at 1.2 million won per head. Program participants are required to pay a registration fee of 10,000 won. The program pays participants, at time of calf marketing, the difference between the market price and market floor price, up to 250,000 won per calf. Currently, the market price for calves is close to 2.0 million won per head. For 2002, the program budget is 60,097 million won (approximately $46 million at an exchange rate of 1,311 won per dollar) which MAF estimates can support 309,000 heads of calves. Funding for the program will be derived from: Registration fees - 2,225 million won (or 3.7 percent of total budget), Livestock Development Fund (LDF) and provincial governments - the balance.

<u>Establishment of Calf Production Base:</u> This program is designed to encourage development of larger farm operations devoted to cow/calf production. In 2002, the MAF goal is to establish 10 such base farms, each with a minimum 20 hectares of grassland. Due to large capital and resource requirements, the project is targeted to farmer cooperatives

and existing large-scaled Hanwoo farms. The program will finance on-farm construction (barns, etc.), preparation of forage land, procurement of equipments, etc. In 2002, the program budget is 5,773 million won (approximately $4.4 million). Funding for the program will be derived from: LDF - 4,125 million won (of which 2,763 million won will be in loan form with the remainder direct support), and provincial governments - balance.

Subsidy for Multi-production of Hanwoo Beef Cattle: This program, working in conjunction with the Project for Stabilization of Calf Production, is designed to encourage retention of Hanwoo breeding stock using an incentive program based on live-Hanwoo calf births. Under this program producers are paid the following subsidy per Hanwoo calf born to a cow:
third calf - 200,000 won (around $150)
fourth calf - 200,000 won (around $150)
Fifth calf - 300,000 won (around $230)
For 2002, the program budget is 27,175 million won (approximately $20.7 million) which MAF estimates can support 118,000 heads of calves.

Also found under the Hanwoo Integrated Measures Program is a sub-program designed to improve the quality of Hanwoo beef. This program provides support (200,000 won or $150 per head) toward castration of Hanwoo bulls. For 2002, the program budget is 16,800 million won ($12.8 million) which MAF estimates can support castration of 84,000 Hanwoo bulls.

Live-weight prices are expected to remain strong throughout 2002 as the market competes with attractive government programs in a sector carrying a low inventory. In the near term, external factors such as imported live-cattle and beef are not expected to play influential rolls in the domestic live cattle market. The market witnessed the first shipment of imported live cattle (from Australia) after liberalization in April 2001. Angry Korean farm groups met that shipment (killing several animals) effectively scuttling the private distribution of that shipment and a subsequent shipment of 600 animals. Contracts for the remainder of the year, covering approximately 600 animals a month, were cancelled. Undaunted, in early 2002 traders have initiated the process to import Australian live cattle, scheduled to arrive by early spring. They have formed the "Live Cattle Importers Association" to better exchange information and develop market strategy in order to avoid the mishaps experienced in 2001. The Australian Meat & Livestock Corporation is assisting this import process. With calf prices around 2.0 million won per head, the import of breeding stock is attractive economically.

On January 1, 2001, MAF adopted a "Rule of Origin" definition for imported livestock, poultry and their products. For cattle and beef, the new definition required six-month residency prior to export to qualify as originating from the exporting country, and for live cattle, six-month residency in Korea prior to slaughter to qualify as domestic for labeling purposes. MAF justified the initiative as protection for domestic producers facing unfair competition from less expensive imported livestock. Market speculation during the fall 2000 when the ordinance was crafted was that imported feeder cattle would flood the market after liberalization (January 1, 2001) due to the declining number of slaughter-weight animals then entering processing channels. Due to international pressure over this WTO-inconsistent rule, MAF suspended the provision defining the in-country residency period prior to export then formally rescinded it on December 4, 2001. A six-month residency requirement is in place for live cattle. If within the six months the animal is slaughtered, its products must be labeled as of the origin country. If slaughtered after six months, the animal products can be labeled as domestic, but the country of origin of the live animal must be labeled also.

In August 2000, MAF attempted, via a proposed revision to the Fair Trade Act, to require "Country of Origin" label of beef served in restaurants. The Korean business community and Korean trading partners raised opposition to this proposal as unnecessarily costly and discriminatory as only beef was targeted. MAF officials have indicated efforts again would be pursued to pass the restaurant menu label requirement, possibly through the next revision to the Consumer Protection Act. However, given the weakness of MAF's primary justification for this measure, to protect the domestic industry against unfair competition from imported livestock and products, resistence against such initiative can be expectedly strong.

Consumption/Utilization/Stocks

In 2001, beef consumption dropped significantly, due to continued food safety concerns generated by the BSE and FMD outbreaks in Europe followed by the BSE detection in Japan. Record high retail prices for Hanwoo meat also swayed consumer interest toward substitute products. Marketing efforts to attract consumer attention to cheaper beef imported from recognized BSE & FMD-free countries went unsuccessful, due to the spillover effect of concern with the European and Japanese problems.

Further, in early January 2002 a three-part documentary focused on side effects of eating too much meat, such as high blood pressure, cholesterol level, etc., was broadcasted. The long-term negative impact it will have on household decision makers is still being gauged, though, in the short term it is resulting in increase demand for vegetable and non-meat protein. The Korean livestock industry has enacted a counter marketing campaign that focusing attention on Korean's average meat consumption vis-a-vis other major developed nations, etc., and what the related inferences. Given major events scheduled this year - i.e., 2002 FIFA World Cup in May/June, National Assemblymen Election in June, Presidential election in December, coupled with major Korean holidays, such as the lunar new year in February and Choosuk in September, lingering food safety concerns are expected to dissipate quickly allowing beef consumption levels to rise again to that witness just a couple years ago.

Imported beef, as a percent of total beef consumed, should continue to increase given the current low domestic cattle inventory. MAF programs to encourage Hanwoo beef production and to enhance beef quality will take time before hard results are generated.

The U.S. government continues to work with counterparts in the Korean government reviewing food safety standards with the goal of conforming Korean standards with international standards and practices. For example, Korean standard controlling marketing of products stored in different physical states (frozen vs. chilled) has attracted much attention. Though much work is left to be completed, Korean officials have promised to complete their scientific review of the freeze/chilled storage issue by midyear 2002.

As of September 10, 2001, the last vestige of Korea's WTO-inconsistent beef distribution system was removed with abolition of the separate retail system. With the system's removal, Korean consumers now have the ability to compare domestic and imported beef side-by-side on the same store shelf. However, Korean officials fear of a rapid consolidation of retail outlets and fraudulent behavior has not occurred, in part due to retailers desire to move slowly to better gauge public perception, client reaction and financial costs if changes are attempted. By market segment, larger retailers - super markets, discount stores, etc., already had established meat counters for both types of beef (imported, domestic) in place. They are pursuing consolidation of storage and processing areas first, before undertaking renovation projects of display counters. Meanwhile, many small neighborhood butcher shops, wanting to maintain the image of a supplier of "high quality Hanwoo beef," hesitate to introduce imported beef on fear of raising consumer concern of product origin - the fraud issue. However, new discount store outlets opening in 2002 are adopting consolidated beef counters, which dictate financial cost considerations of store renovation must also enter into the analysis on why the delay in consolidation of beef display counters.

Competitiveness of imported beef is tied closely to the exchange rate. U.S. product competitiveness diminishes when the Korean won falls to the W1,500/1,600 = U.S.$1.00 exchange rate range. The current exchange rate is W1,311 = US$1.00.

Food safety remains a primary focus of government regulators. With extensive media coverage of BSE and FMD in Europe this past winter/spring, regulators focused inspection efforts extensively on imported livestock and meat products. To calm consumer concern over the possible introduction of BSE and reintroduction of FMD into Korea, MAF initiated a consumer education campaign focused primarily with raising awareness of the product origin including the sourcing of imported beef from non-infected countries.

Major international suppliers have initiated a bevy of market promotion activities already in 2002. In January, USMEF conducted a 10-day promotional campaign on U.S. Choice Beef at major retail outlets while running a continuous advertisement campaign in major newspapers. Its training arm, the Meat Education & Research Center (MERC), continues education programs on U.S. meat quality and cuts, etc. Also in January, the Australian Meat & Livestock Corporation conducted a "Clean & Safe Australian Sydney Short Ribs" promotional campaign for 11 days at one of Korea's largest discount stores. Canada and New Zealand are reported also to be aggressively promoting their products in the Korean market.

Korean language web sites of interest (some contain limited information in English):

Ministry of Agriculture & Forestry: www.maf.go.kr
National Agricultural Products Quality Service: www.naqs.go.kr
National Agricultural Cooperatives Federation: www.nacf.co.kr
Korea Swine Association: www.koreapork.or.kr

The conversion factors used for converting a carcass to a boneless weight is 1.25 for pork, 1.36 for beef.

Section II: Statistical Data: Swine and Pork

PSD: Swine

PSD Table						
Country	Korea, Republic of					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
TOTAL Beginning Stocks	7000	7000	7350	7350	7646	7856
Sow Beginning Stocks	887	887	912	912	922	955
Production (Pig Crop)	13841	13841	14449	15029	14609	15412
Intra EC Imports	0	0	0	0	0	0
Other Imports	2	2	2	1	2	2
TOTAL Imports	2	2	2	1	2	2
TOTAL SUPPLY	20843	20843	21801	22380	22257	23270
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	13293	13293	13955	14324	14300	14900
Total Slaughter	13293	13293	13955	14324	14300	14900
Loss	200	200	200	200	200	200
Ending Inventories	7350	7350	7646	7856	7757	8170
TOTAL DISTRIBUTION	20843	20843	21801	22380	22257	23270
Calendar Yr. Imp. from U.S.	1	1	1	1	1	1
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD: Pork

PSD Table						
Country	Korea, Republic of					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Slaughter (Reference)	13293	13293	13955	14324	14300	14900
Beginning Stocks	31	31	120	120	115	120
Production	1004	1004	1054	1077	1080	1120
Intra EC Imports	0	0	0	0	0	0
Other Imports	173	172	120	122	140	130
TOTAL Imports	173	172	120	122	140	130
TOTAL SUPPLY	1208	1207	1294	1319	1335	1370
Intra EC Exports	0	0	0	0	0	0
Other Exports	30	30	55	43	100	100
TOTAL Exports	30	30	55	43	100	100
Human Dom. Consumption	1058	1057	1124	1156	1160	1200
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	1058	1057	1124	1156	1160	1200
Ending Stocks	120	120	115	120	75	70
TOTAL DISTRIBUTION	1208	1207	1294	1319	1335	1370
Calendar Yr. Imp. from U.S.	12	12	7	14	8	15
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Korea: Pork Imports (2000 - 2001)

Country	2000	2001
	Revised	Preliminary
	(In metric tons, product weight equivalent)	
U.S.A.	9,519	11,500
Denmark	33,673	15,600
Canada	25,996	27,800
Hungary	19,790	10,700
France *	18,403	5,500
Netherlands *	15,857	6,100
United Kingdom *	2,675	747
Austria	2,364	2,600
Finland	2,074	2,100
Sweden	1,720	500
Ireland *	1,515	111
Belgium	1,395	9,900
Australia	1,082	2,100
Others	1,954	2,742
TOTAL	138,017	98,000

Source: Korea Customs Service, Ag Affairs
Note: * Countries not recognized as FMD-free.

Korea: Pork Imports (Annual 2000, First Eleven Months of 2000 and 2001)

Country	Annual 2000		Jan. - Nov., 2000		Jan. - Nov., 2001	
	Volume (MT)	Value ($000)	Volume (MT)	Value ($000)	Volume (MT)	Value ($000)
U.S.A.	9,519	14,108	8,502	12,887	10,544	10,490
Canada	25,996	22,882	24,130	21,198	25,480	20,648
Denmark	33,673	60,760	32,474	58,718	14,316	29,007
Hungary	19,790	37,727	18,835	35,833	9,770	21,410
Belgium	1,395	2,741	1,395	2,741	9,032	25,189
Netherlands	15,857	38,185	14,477	34,992	6,100	14,675
France	18,403	43,716	17,483	41,168	5,500	15,664
Austria	2,364	5,607	2,242	5,274	2,381	6,325
Australia	1,082	2,088	883	1,704	1,957	4,010
Finland	2,074	5,316	1,924	4,907	1,923	5,719
Poland	38	92	18	49	1,122	2,689
United Kingdom	2,675	2,545	2,458	2,431	747	658
Sweden	1,720	3,931	1,614	3,648	459	979
Ireland	1,515	2,077	1,472	2,056	111	96
Others	1,916	6,619	1,898	6,605	320	647
TOTAL	138,017	248,394	129,805	234,211	89,762	158,206

Source: Korea Customs Service, Product Weight Equivalent, H.S. Code: 0203

Korea: Pork Exports (2000 - 2001)

Country	2000	2001
	Revised	Preliminary
	(In metric tons, product weight equivalent)	
Japan	15,377	0
Russia	6,216	22,500
Philippine	1,633	11,000
Taiwan	788	0
Hong Kong	178	500
Others	127	700
TOTAL	24,319	34,700

Source: Korea Customs Service, Office of Ag. Affairs

Note: Exports to Taiwan are ultimately exported to Japan, via triangle trade.

Korea: Processed Pork Imports (Annual 2000, First Eleven Months of 2000 and 2001)

Country	Annual 2000		Jan. - Nov., 2000		Jan. - Nov., 2001	
	Volume	Value	Volume	Value	Volume	Value
	In metric tons and $000, Product Weight Equivalent					
U.S.A.	139	487	106	356	209	722
PRC	17	24	1	2	87	105
Australia	5	89	5	89	1	22
Denmark	17	35	17	35	0	0
Hungary	1	1	1	1	0	0
Other	2	40	1	36	1	13
TOTAL	181	676	131	519	298	862

Source: Korea Customs Service, Product Weight Equivalent (HS 0210.1, 1602.41, 1602.42)

Korea: Processed Pork Exports (Annual 2000, First Eleven Months of 2000 and 2001)

Country	Annual 2000		Jan. - Nov., 2000		Jan. - Nov., 2001	
	Volume	Value	Volume	Value	Volume	Value
	In metric tons and $000, Product Weight Equivalent					
U.S.A.	6	21	0	0	0	0
Philippine	0	0	0	0	325	471
Japan	198	474	196	460	76	501
Brazil	0	0	0	0	18	35
Canada	12	45	12	45	0	0
TOTAL	216	540	208	505	419	1,007

Source: Korea Customs Service, Product Weight Equivalent (HS 0210.1, 1602.41, 1602.42)

Korea: Pork Exports (Annual 2000, First Eleven Months of 2000 and 2001)

Country	Annual 2000		Jan. - Nov., 2000		Jan. - Nov., 2001	
	Volume (MT)	Value ($000)	Volume (MT)	Value ($000)	Volume (MT)	Value ($000)
U.S.A.	0	0	0	0	0	0
Japan	15,377	62,871	15,379	73,231	0	0
Russia	6,216	6,171	4,416	4,416	20,567	26,199
Philippine	1,633	970	1,345	644	10,201	11,263
Taiwan	788	333	788	333	0	0
Hong Kong	178	238	117	163	487	630
Italy	89	176	89	176	0	0
Malaysia	21	10	21	10	0	0
Thailand	12	7	12	7	237	42
Uruguay	4	16	4	16	0	0
Australia	0	0	0	0	49	33
Bulgaria	0	0	0	0	69	128
Others	1	3	1	3	51	93
Total	24,319	70,795	22,172	78,999	31,661	38,388

Source: Korea Customs Service, Product Weight Equivalent, H.S. Code 0203.

Korea: Swine Slaughter Trend

(Unit: Head and Kilogram)

Month	2000		2001	
	Slaughter number	Avg. Weight	Slaughter number	Avg. Weight
January	1,115,356	108	1,100,339	106
February	908,188	109	1,085,728	106
March	1,119,417	109	1,248,553	107
April	1,075,654	108	1,153,402	108
May	1,118,601	108	1,130,087	108
June	990,358	106	1,063,974	107
July	974,584	107	1,074,254	107
August	1,105,776	107	1,207,573	102
September	1,068,171	108	1,274,895	106
October	1,295,891	107	1,332,652	108
November	1,324,068	108	1,364,433	106
December	1,196,988	107	1,288,381	104
TOTAL	13,293,052	108	14,324,271	106

Source: Ministry of Agriculture & Forestry

Korea: Live Swine Prices

(Unit: Won per head; Exchange rate is US$1=1,300 won)

Annual Live Swine Prices		
Year	Piglet	Swine (100 Kg)
1995	49,000	155,000
1996	48,000	171,000
1997	53,000	171,000
1998	50,000	179,000
1999	59,000	199,000
2000	54,000	166,000
2001	55,000	174,000

Monthly Live Swine Prices				
Month \ Year	Piglet		Swine (100 Kg)	
	2000	2001	2000	2001
January	62,000	48,000	203,000	155,000
February	63,000	48,000	200,000	152,000
March	62,000	49,000	184,000	156,000
April	55,000	52,000	157,000	178,000
May	60,000	61,000	198,000	203,000
June	61,000	64,000	207,000	208,000
July	58,000	63,000	181,000	195,000
August	55,000	59,000	168,000	185,000
September	50,000	57,000	141,000	171,000
October	44,000	51,000	115,000	142,000
November	41,000	53,000	127,000	162,000
December	46,000	59,000	153,000	187,000

Source: National Agricultural Cooperatives Federation

Korea: Swine/Pork Tariff Table for CY2002

Tariff Number	Product Description	WTO Bound Rate	Current Applied Rate	Other Info.
0103.10.0000	Pure-bred breeding swine	N: 0 M: 19.1 %	N: 0 M: 19.1 %	In-quota amount is 1,686 heads.
0103.90.0000	Other swine			
0103.91.0000	Weighting, less than 50 kg	19.1%	19.1 %	
0103.92.0000	Weighting, 50 kg or more	19.1%	19.1%	
0203.10.0000	Pork (Fresh or chilled)			
0203.11.0000	Carcass and half-carcass	23.9 %	23.9 %	
0203.12.0000	Hams, shoulders and cuts, with bone in	23.9 %	23.9 %	
0203.19.1000	Belly	23.9 %	23.9 %	
0203.19.9000	Others	23.9 %	23.9 %	
0203.20.0000	Pork (Frozen)			
0203.21.0000	Carcass and half-carcass	27.4%	27.4 %	
0203.22.0000	Hams, shoulders and cuts, with bone in	27.4%	27.4 %	
0203.29.1000	Belly	27.4%	27.4 %	
0203.29.9000	Others	27.4%	27.4 %	
0206.30.0000	Pork offal (Fresh or chilled)	19.1 %	19.1 %	
0206.40.000	Pork offal (Frozen)			
0206.41.0000	Liver	19.1 %	19.1 %	
0206.49.1000	Feet	19.1 %	19.1 %	
0206.49.9000	Others	19.1 %	19.1 %	
0206.80.0000	Other offal (Fresh/chilled)	19.1 %	19.1 %	
0206.90.0000	Other offal (Frozen)	19.1 %	19.1 %	
0210.10.0000	Meat & edible meat offal of swine, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal of swine			

0210.11.0000	Hams, shoulders and cuts thereof, with bone-in	27.4%	27.4%	
0210.12.0000	Bellies (streaky) and cuts thereof	33.5%	33.5%	
0210.19.0000	Other	27.4%	27.4%	
1602.40.0000	Other prepared or preserved meat, meat offal or blood, of swine			
1602.41.1000	Hams and cuts thereof in airtight contains	55.2%	55.2%	
1602.41.9000	Hams and cuts thereof, other	33.6%	33.6%	
1602.42.1000	Shoulders and cuts thereof in airtight contains	55.2%	55.2%	
1602.42.9000	Shoulders and cuts thereof, other	33.6%	33.6%	

Source: Korea Customs and Trade Institute
N: in-quota rate; M: out-quota rate.

Section III: Swine and Pork

In 2001, swine production increased due to surge in demand generated by the fallout from BSE and FMD in European cattle. Europe's problem with FMD and BSE, coupled with Japan's detection of BSE in domestic cattle, caused a consumer shift in demand for other meat protein sources - pork and chicken. Record high domestic Hanwoo beef prices helped spur consumers toward pork and chicken. The national swine herd is in expansion mode. Farm-gate prices for swine are on the rise. The outlook for the domestic swine sector is promising. Demand for pork will be driven with the reopening of the Japanese market, after a two-year hiatus, during the latter half of 2002, the 2002 FIFA World Cup in May/June, two major nationwide elections and a strengthening economy.

Herd expansion is projected to continue throughout 2002 as Korea pursues export markets lost with detection of FMD in March 2000. With the FMD issue behind them, to reenter the Japanese market, formally Korea's largest export market, Korea still will need to overcome Japanese restrictions against products originating from animals treated for hog cholera. A task Korean officials do not see as onerous.

Pork stocks remain heavy with cuts unpopular in Korea. With resumption of exports to the Japanese market, such stocks will be funneled into export channels. Imported demand is driven by a shortage of popular cuts (i.e., pork bellies). In 2002, major events and an improving economy should generate increased demand for pork to the benefit of both domestic producers and import suppliers.

After the FMD outbreak in March 2000, Korean pork trade declined 70 percent year on year. Since March 2000, both Hong Kong and the Philippine have established sanitary protocols with Korea thus continued trade in Korean swine and products. Russia continued to import Korean pork, regardless of the FMD problem or sanitary protocol. OIE recognition of Cheju Province as FMD-free on a regional basis, rather than on a country basis, enabled Korea to jump start export trade to other countries more quickly. However, full scale export of fresh pork from Korea to its largest export market, Japan, is not projected until the second half of 2002. China's entry into WTO should not have an impact on Korea's pork import market, for sanitary reasons - FMD. If a region, rather than country considerations are granted to China, Korea is expected to import cheap Chinese pork for its processing sector.

The Ministry of Agriculture & Forestry assistance to the swine sector includes the following programs:

Support for Assay Testing: This program is designed to encourage swine farmers to participate in a national assay testing program to improve the genetics of Korean swine and to prepare for the reopening of the export market to Japan. The program provides 3,200 won/head ($2.44) for a third-party assay test, and 2,300 won/head ($1.75) for a self-administered assay test. The program also provides 200,000 won/head (around $150) for purchase of breeding boars produced via artificial insemination. For 2002, the program budget is 159 million won (approximately $120,000).

Loan for procurement of raw ingredient pork: This government loan program provides low interest loans to meat processors to procure pork for processing. Loan terms include an interest rate set at 5 percent per annum and a balloon payment on maturity (i.e., one year loan). For 2002, the program budget is 39,200 million won (about $30 million).

Fund for Production of Standard Swine (export grades): The loss of export markets after the FMD outbreak in 2000 resulted in MAF discontinuation that year of the direct payment program for export grade swine. Presently, MAF provides loans to farmers supplying swine to export firms. Loan terms include an interest rate set at 5 percent per annum and a balloon payment on maturity (i.e., one year loan). For 2002, the program budget is 20,000 million won (around $15 million).

Separate from this, in 2001 the Korea Swine Association (KSA) began a domestic pork promotion program funded by donations from the domestic industry. As of early January 2002, 540 million won had been donated for this program. KSA ran its first pork consumption promotional campaign on television from September 24 through November 30, 2001.

Korean language web sites of interest (some contain limited information in English):

Ministry of Agriculture & Forestry: www.maf.go.kr
National Agricultural Products Quality Service: www.naqs.go.kr
National Agricultural Cooperatives Federation: www.nacf.co.kr
Korea Swine Association: www.koreapork.or.kr

The conversion factors used for converting a carcass to a boneless weight is 1.25 for pork, 1.36 for beef.