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Report Highlights:

Korea's 2020 chicken production is expected to increase to 971,000 MT (up two percent from 2019) driven by new slaughter plant openings and carry-over capacity from high 2019 parental stock (PS) broiler inventory. In 2021, chicken production is projected to rise only 0.9 percent as low farm-gate prices and uncertain demand continue to weigh on the industry. Despite the number of slaughtered chickens increasing by 3.4 percent during the first six months of 2020, chicken consumption has declined overall due to the COVID-19 pandemic. Korea's 2020 chicken imports are expected to decrease by ten percent to 160,000 MT due to increased frozen domestic chicken inventory and reduced consumption. In 2021, Korea's chicken imports are projected to increase by five percent to 168,000 MT due to steady demand for processed chicken products that can be easily consumed at home and the expected extra demand generated during the 2021 Tokyo Olympic games.

Production:

Broiler and hybrid chickens account for about 93 percent of Korean poultry production. Broiler chickens average 1.5 kilograms (kg) live weight and represented 76 percent (807 million) of the total number of slaughtered chickens in 2019. The most common hybrid chicken in Korea is called "Samgye", a cross breed between a broiler and a layer used for chicken ginseng soup in the summer season. In 2019, "Samgye" accounted for 16.9 percent (179 million) of the total number of slaughtered chickens, averaging 850 grams live weight. Finally, native-breed chicken (averaging 2 kg live weight) and spent hens made up the remaining six to seven percent of slaughtered chickens in 2019.

In Marketing Year (MY) 2021 (January – December), Korea's chicken production is projected to increase marginally by 0.9 percent to 980,000 metric tons (MT) as vertically integrated chicken companies plan to add a couple of slaughtering facilities and commercial chick production is expected to increase with expanded parent stock (PS) broiler inventory. The increased chicken supply may cause some losses to chicken companies and drive prices lower as chicken supply (including frozen inventory) seems to rise at a faster pace than actual consumer demand, which remains slowed by the pandemic recovery.

In 2020, Korea's chicken production is expected to increase 971,000 MT (up two percent from 2019). The chicken industry increased its PS broiler inventory by 13.5 percent in 2019 to meet expected extra demand caused by the African Swine Fever (ASF) outbreak and the planned (now postponed to 2021) 2020 Tokyo summer Olympic games. As a result of increased PS broiler inventory, the number of slaughtered chickens during the first six months of 2020 increased by 3.4 percent compared to the same period of the previous year.

Korea's Monthly & Yearly Slaughter Numbers for Chicken (Unit: 1,000 birds)								
	Jan.	Feb.	Mar.	Apr.	May	June	First 6 Months Sub Total	Annual Total
MY 2017	68,871	62,218	72,061	67,040	77,391	88,521	436,102	936,020
MY 2018	83,367	67,809	82,388	80,215	90,514	94,105	498,398	1,004,824
MY 2019	78,252	68,497	82,078	86,932	97,694	95,133	508,586	1,059,994
MY 2020	81,722	77,539	86,159	90,829	92,280	97,237	525,766	N/A
Change (%)	4.4	13.2	5.0	4.5	-5.5	2.2	3.4	5.5

Source: Korea Broiler Council (KBC)

In 2019, Korea's chicken production increased to 952,000 MT, up four percent from 2018 due to ongoing market competition between chicken companies, a record high level of PS broiler inventory (8.3 million birds) and steady demand for chicken with various convenient chicken menus for home cooking such as Home Meal Replacement (HMR), Ready to Eat (RTE) and Ready to Cook (RTC) products.

Korea's live chicken inventory and the number of slaughtered chickens in 2020 are expected to increase more than the 2019 level, driven by better productivity potential for chicks and newly added slaughter lines. The chicken industry also recognizes that the current market has overheated for the past several years and that mounting competition between the leading companies has led to oversupply and reduced profits. However, this cutthroat competition is expected to continue for the time being as more companies plan to open new slaughtering facilities over the next few years.

Chicken Inventory

In 2019, PS broiler inventory increased to 8,260,000 birds, up about 13.5 percent from 2018 due to increased imports of Grand Parental Stock (GPS) broilers. As PS broiler inventory increased, the annual average broiler inventory also increased by 5.2 percent to 9,811,000 birds in 2019. PS broiler inventory exceeded 8 million birds for the first time in 2019 and when combined with reduced chicken consumption due to COVID-19 restrictions in the first half of 2020, frozen chicken inventory was driven to very high levels.

Korea's PS Broiler Inventory By Year (Unit: 1,000 birds)		
Year	January – June (Unit: 1,000 birds)	January – December (Unit: 1,000 birds)
2017	3,675	7,743
2018	3,280	7,278
2019	4,031	8,264
2020	3,396	TBD
Change (%)	-15.8%	+13.5%

Source: Korea Broiler Council (KBC)

In response to reduced chicken consumption and high existing frozen chicken inventory, PS broiler inventory declined by 15.8 percent to 3.4 million birds in the first half of 2020, which will lead to reduced chicken production in the beginning of 2021. Correspondingly, broiler inventory in June 2020 also declined by 8.8 percent to 110 million birds due to the continued reduction of general consumer demand especially for institutional use (school meal program) caused by the COVID-19 pandemic.

The increased PS broiler inventory in 2019 was the key reason for the oversupply and reduced chicken prices in the first half of 2020. After the Korean chicken industry experienced higher mortality rates in the PS broiler inventory during the summer season in 2018 during an excessive heat wave, producers substantially increased the PS inventory prior to the summer of 2019. Fortunately, last summer was a bit cooler than in 2018, but this contributed to an oversupply of broilers in the market this year.

Price

Despite an increase in the number of slaughtered chickens by 3.4 percent during the first six months of 2020, chicken consumption has declined overall due to the COVID-19 pandemic. As a result, the average farm gate price fell by 30.7 percent to 1,028 Korean won (KRW) per kilograms (kg) compared to the same period in 2019. As the current six-month average farm gate price was markedly lower than the annual average production cost (KRW 1,217 / kg) in 2019, reduced market prices will cause substantial business losses for many chicken companies.

Korea's Average Chicken Prices During January – June Period (Unit: KRW/KG)			
Price (KRW)	CY 2019	CY 2020	Change (%)
Farm Gate Price	1,483	1,028	-30.7%
Wholesale Price	2,832	2,541	-10.3%
Consumer Price	5,448	5,077	-6.8%

Source: National Agricultural Cooperative Federation (NACF)

During the summer months of June, July and August, in Korea, about 24 percent more chickens are slaughtered than the rest of the year since many people participate in outdoor events where chicken is commonly consumed. Moreover, "Samgyetang", Korea's chicken ginseng soup, is a popular summertime food considered to be stamina-boosting. However, the lower 2020 summer farm gate prices and increased frequency of rain so far this year has reduced actual chicken consumption during this summer holiday season.

As a result of increased chicken supply and reduced chicken consumption in the market, domestic frozen chicken inventory has substantially increased this summer. As of July 13, 2020, frozen chicken inventory (mostly domestic chicken parts and Samgye chicken) totaled about 17,000 MT, up 82.3 percent from the same month in 2019.

Consumption:

In 2021, Korea's chicken consumption is projected to increase by four percent to 1.1 million MT as chicken prices remain lower than beef and pork, coupled with increased demand for various convenient chicken inputs into HMR, RTC and RTE products by dual-income households and an increased number of a smaller sized families (single and two member households). Plus, the rescheduled summer Olympic games (in Tokyo) and an expected return to some normalcy in professional sports like baseball and soccer which frequently draw tens of thousands of spectators will gradually increase chicken demand throughout the year.

In 2020, Korea's chicken consumption is expected to decrease slightly by 0.4 percent to 1.07 million MT mainly due to COVID-19 causing a sharp reduction in the group catering sector (particularly the school meal program) as school openings were delayed in March and April and many provincial and large group events (including sports) were cancelled or significantly reduced in size. Additionally, the implementation of the reduced legal work hour limit to 52 hours per week (from 68 hours) this year substantially reduced the frequency of company dinners (a very popular activity in Korea). As a result of COVID-19, chicken demand in the HRI sector and in B2B sales was also notably affected, partially countered by rising use of food home delivery services.

According to the Korean chicken industry, about 30 percent of slaughtered chicken is consumed in the franchise chicken industry, about 20 percent for the group catering/institutional use industry and the remaining 50 percent is consumed through the big discount chain stores, butcher shops, restaurants, supermarkets and traditional wet markets. According to a consumer survey in 2019, many Korean consumers still prefer to purchase whole fresh chicken (63 percent) over processed chicken products (37 percent). The preference for fresh chicken is supported by increased ownership of convenient home cooking appliances and increased sales of meal kit products.

Korea's food industry has expanded the variety of convenient chicken products and controlled diet products in recent years to meet changing consumer demands. As more young generation prefer to purchase these categories, the RTE, RTC and HMR market will continue to increase in the coming years.

According to the Ministry of Agriculture, Food and Rural Affairs (MAFRA), Korea's per capita chicken consumption was 14.8 kg (boneless meat basis) in 2019, an 0.6 kg increase from 14.2 kg in 2018. Per capita consumption has increased steadily as many Koreans enjoy franchise chicken delivery services and various convenient processed chicken products, compared to the higher use of beef and pork in traditional Korean meals.

TRADE - Imports:

In 2021, Korea's chicken imports are projected to increase by five percent to 168,000 MT due to steady demand for processed chicken products including HMR, RTC, and RTE products, and the expected extra demand during the 2021 Tokyo Olympic games.

In 2020, Korea's chicken imports are expected to show a decline of ten percent to 160,000 MT due to increased frozen domestic chicken inventory and reduced consumption during the COVID-19 pandemic. Chicken imports during the first six months of 2020 decreased by 6.8 percent to 81,755 MT from the same period of 2019 (87,706

MT). The reduced imports were mainly from Brazil for frozen chicken (mostly deboned whole legs) and Thailand for processed chicken products, including heat-treated products.

Import prices for frozen chicken legs increased by 7.8 percent to around KRW 2,373/kg during the first half (January – June) of 2020 from the previous year due to unfavorable exchange rates and increased demand for Brazilian chicken in China caused by the ASF outbreak. As a result, Korea's imports for frozen chicken legs and processed chicken were reduced by eight percent and 6.9 percent, respectively, from the same period in 2019.

In 2019, Korea's chicken imports increased to 177,797 MT, up 9.2 percent (15,010 MT) from 162,787 MT in 2018 due to the outbreak of ASF in Korea and in neighboring countries (China and Southeast Asia) and a new chicken supplier to Korea in Brazil. Brazilian frozen raw chicken legs are priced 46 percent lower than domestic product (frozen Brazil chicken legs for KRW 2,355/kg, domestic fresh chicken legs for KRW 5,157/kg), making Brazilian product more attractive for further processing operations.

In terms of imported product, Brazil is now the dominant chicken supplier in Korea with 66 percent market share in 2019, followed by Thailand with 22 percent share (mainly processed chicken). The United States was one of the top two chicken suppliers in Korea until 2014, before dropping to a 1.7 percent market share in 2019 due to unresolved SEM detection issues resulting in the delisting of a handful of U.S. plants reducing U.S. exporter interest. Korea also imported 36,111 MT of processed chicken products in 2019, up 19.1 percent from the previous year, due to increased demand for convenient chicken products. Thailand increased its processed chicken import market share rapidly in recent years, comprising 74 percent of total processed chicken imports in 2019.

TRADE - Exports:

In 2021, Korea's chicken exports are projected to increase slightly to 53,000 MT from the previous year (51,000 MT) due to continued demand for Korean spent hens in Vietnam and increasing chicken demand in Hong Kong. In 2019 Vietnam was the top buyer for Korean chickens with 45,455 MT, accounting for 92 percent of total chicken exports, followed by Hong Kong with four percent (1,818 MT).

Tariff Phase-Out Schedule under KORUS FTA

Korea's 20 percent tariff on imports in the dominant frozen leg quarter category will be phased out by 2021, while tariffs on frozen breasts and wings will be eliminated by 2023. The 18-percent tariff on frozen turkey cuts was eliminated in 2018.

HSK 10	Description	Base Rate	2020	2021	2022
0207141010	Frozen Chicken Legs	20%	2%	0%	0%
0207141020	Frozen Chicken Breast	20%	5%	3.3%	1.6%

0207141030	Frozen Chicken Wing	20%	5%	3.3%	1.6%
0207141090	Other Frozen Chicken	20%	2%	0%	0%
0207271000	Frozen Turkey Cuts	18%	0%	0%	0%

Source: Korea Customs Service (KCS)

Production, Supply, and Distribution

Meat, Chicken	2019		2020		2021	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
Korea, Republic of	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	40	40	50	50	0	65
Production (1000 MT)	942	952	955	971	0	980
Total Imports (1000 MT)	178	178	160	160	0	168
Total Supply (1000 MT)	1160	1170	1165	1181	0	1213
Total Exports (1000 MT)	50	50	45	50	0	53
Human Consumption (1000 MT)	1060	1070	1070	1066	0	1105
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	1060	1070	1070	1066	0	1105
Total Use (1000 MT)	1110	1120	1115	1116	0	1158
Ending Stocks (1000 MT)	50	50	50	65	0	55
Total Distribution (1000 MT)	1160	1170	1165	1181	0	1213
(1000 MT)						

Price Comparison (Unit: Korean Won per Kilogram)

Cuts	Domestic 1/	Imports 2/			
		U.S.	Brazil 3/	Denmark	Thailand
Leg	4,549	1,473	2,373	2,299	3,116

Wing	5,330	-	2,645	2,988	3,771
Breast	5,132	-	2,525	-	4,234

1/ Chilled products, average retail price for January 1 – June 30, 2020 period

2/ Average import prices between January 1 through June 30, 2020

3/ Frozen Trimmed bone-less products (Mostly)

4/ Source: Korea Broiler Council (KBC) & Trade Data Monitor LLC (TDM)

Countries Currently Eligible to Export Poultry Products to Korea (As of July, 2020):

Approved Suppliers	Items
Australia, New Zealand, Denmark, Spain, Japan, Canada, United Kingdom, France, Sweden, Netherland, Finland, and the United States.	Poultry birds (include pet or wild bird), hatching eggs, day old chicks.
Australia, New Zealand, Denmark, Canada, Thailand, Spain, Japan, United Kingdom, Hungary, France, Sweden, Netherland, Finland, and the United States.	Table eggs.
Australia, Chile, Denmark, Brazil, Canada, Thailand, United Kingdom, France, Sweden Netherland, Finland, Lithuania, and the United States.	Fresh, chilled, or frozen poultry meat
Australia, United Kingdom, France, Chile, Denmark, Sweden, Japan, Brazil, Thailand, Hungary, China, Poland, the United States, Netherland, Finland, Lithuania, and Canada.	Heat-treated poultry meat

Source: The Ministry of Agriculture, Food and Rural Affairs (MAFRA)

Attachments:

No Attachments