

Plan for Demand-Supply Stabilization of Korean Beef

Jeongbin Im

Professor, Seoul National University

The cattle price in Korea has been decreasing since 2010. As of early July 2013, the price of bulls is KRW(~~₩~~) 4,910 thousand per head, which is 10.5% lower than in normal years which is equivalent to KRW(~~₩~~) 5,480 thousand per head. The major cause of the recent cattle price decrease is because of an increase in cattle population. The cattle population has increased from 2,890 in 2010 to 3,060 as of June 2013. However Korean beef consumption demand does not correspond to the large growth in supply resulting from an increase in the cattle population because of economic depression. Annual beef consumption per person in 2012 decreased by 4.9% compared to the previous year from 10.2kg to 9.7kg even though consumer price decreased from KRW(~~₩~~) 14,040 in 2011 to KRW(~~₩~~) 10,633 in 2012.

The Ministry of Agriculture, Food, and Rural Affairs (MAFRA) announced the plan for promotion of consumption and demand-supply stabilization of Korean beef market in July 29, 2013. The policy directions for stabilization of Korean beef market are mainly explained as: i) production adjustment to make a balance fundamental demand and supply in the long-term perspective, ii) Promotion of consumption in the short-term through expanding the direct transactions from producer, which is required by consumer organizations, iii) improvement of distribution marketing channels by developing cooperative packers, and strengthening the demand-supply control and monitoring function of the demand-supply control committee in the mid-term.

(1) Production control: The current oversupply inevitably requires time to be settled, considering the breeding period (over 30 months) of native Korean cattle. So, cow population reduction plans, including the necessity of population reduction, volume, and period, will be determined after consultation with experts and producer organizations. Approximately ~~₩~~9 billion and ~~₩~~15 billion of livestock industry development funds will be consumed to reduce 30 thousand and 50 thousand cows, respectively.

(2) Promotion of consumption: The government is considering the following measures to promote beef consumption.

○ Expansion of Korean beef discount sales

- (Expansion of existing consumption) Expansion of discount sales events implemented by the National Agricultural Cooperative Federation and the Hanwoo Association (The National Agricultural Cooperative Federation uses its own funds.)

- (Creation of new demand) Review of partial support for price differences in order to substitute imported beef with Korean beef for corporate food services (with the agricultural check-off program). Expansion of Korean beef consumption through the promotion of the beef franchise and processing industry such as beef jerky and seasoning production

○ Support of disuse of culled cow by-products

- Culled cows (e.g., 178kg or lighter carcass weight) by-product market isolation (rendering) with the agricultural check-off program. The government is reviewing the implementation plans for market isolation of by-products (bones, etc.) over a certain period through voluntary distribution agreement by producer organizations

○ Expansion of Korean beef supply to the military

- The government is planning to increase the beef consumption in the military from 1,284 tons (amount of 7.4 thousand cows) in 2012 to 1,544 tons (686 tons of Korean beef (amount of 4.6 thousand cows) and 858 tons of beef cattle (amount of 5,000 cows) in 2013.

(3) Distribution structure improvement and demand-supply control

○ Promotion of direct transactions and special events

- Actively implement a special sales event for agricultural and livestock producers (Korean beef, etc.) that are in a difficult situation because of an increase in production

- Distributors cooperate by allowing a producer association to operate a farmer's local food market in stores, and the government partially supports the operating expenses of the farmer's market. Distributors open part of their facilities, such as parking lots, during mandatory holidays so that a producer association can prepare for direct transactions of agricultural products.

- Support for the installation of farmer's local food markets (30 new markets established in 2013) including livestock product sales facilities, and expand the installation of permanent farmer's markets for local governments, public organizations, and major companies

○ Development of cooperative association packer

- Establish a distribution structure for direct transactions by developing the National Agricultural Cooperative Federation as a cooperative association packer in charge of butchery, processing (division and packing), and sales

- Expansion of butcher shops (affiliated stores) and beef restaurants (affiliated and direct management stores of the Korean Federation of Livestock Cooperatives) related to the National Agricultural Cooperative Federation

○ Promotion of operation of private and public joint demand-supply control committee

- Government and producer's countermeasure for segmentation by demand-supply conditions through a quarterly demand-supply analysis by the demand-supply control committee (total of 15 personnel)

- Improve the Korean beef monitoring model, reduce the monitoring interval (current: quarterly → future: monthly), and reinforce a future demand-supply prediction function by strengthening the information delivery power of farmhouses.

Date submitted: October 5, 2013

Reviewed, edited and uploaded: October 8, 2013