



## International Agricultural Trade Report

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### South Korean Foot and Mouth Disease (FMD) Outbreak Likely to Impact Global Pork and Grain Trade

#### Summary

South Korea's FMD-impacted hog industry could mean greater demand for U.S. pork products, but less demand for U.S. corn into next year.

#### FMD Hits South Korea's Pork Industry...

South Korea's worst FMD outbreak in history has reportedly resulted in the depopulation of about 30 percent of the nearly 10 million swine and 5 percent of the over 3 million cattle as of February 7. The outbreak began in November, and despite government containment efforts, ballooned to 146 cases throughout most of the country in 2 months. Culling is expected to level off as the government resorted to full vaccination of all the country's swine and cattle on January 13. The expected cost of the outbreak has surpassed \$1.8 billion, according to South Korea's Ministry for Food, Agriculture, Forestry, and Fisheries.

#### Which Is Affecting Domestic Meat Prices and Consumption...

Since domestic production traditionally supplies 70 percent of pork consumption, prices rose sharply in response to short domestic supplies and strong demand in the run-up to the Lunar New Year holiday (February 2-4), when pork and beef are used in many traditional dishes. Pork is the most widely consumed meat at over 19 kg per capita per year, compared to 10 and 8 kg, respectively, for broiler meat and beef according to the Korean Rural Economic Council. While consumers do not appear to have reduced their pork consumption due to FMD, faced with higher prices, they may shift to other protein sources such as poultry or seafood, as well as more imported pork and beef.

#### As Well as International Trade Patterns for Pork and Grains ...

Whereas pork imports had previously been forecast up 5 percent due to improving economic conditions, the FMD situation and changing consumption patterns could bolster imports by 30-40 percent (as much as 150,000 tons). In an effort to curb rising prices, the government reduced import duties to zero (from 25 percent) until June on 50,000 tons of frozen pork cuts and 10,000

tons of frozen pork bellies, which supports higher imports. As one of the world's largest pork importers, South Korea is a highly competitive market, with several suppliers (see chart) who could meet additional demand.

But South Korea, with its very sophisticated feed industry, is also one of the world's largest corn importers (about 9 million tons annually) because it is a key component in livestock and poultry rations. The reported 30 percent drop in the swine herd has already resulted in a million-ton reduction in this year's corn import estimate and markedly slower import contracts by the feed industry.

### South Korean Suppliers



#### That Could Impact Demand for U.S. Products ...

As a major traditional supplier, the United States will likely see more pork exports, but less corn. Higher domestic prices in South Korea could make U.S. pork more attractive, and the temporarily reduced tariff on frozen pork is expected to benefit U.S. exporters despite tight supplies.

U.S. corn supplies relative to strong domestic and foreign import demand are also tight, contributing to higher world prices for most grains. However, less demand for corn from South Korea could help reallocate scarce U.S. supplies and somewhat moderate domestic prices.

#### Into Next Year

It will likely take some time for the pork industry to fully recover, and with it, demand for imported corn. While culling had an immediate effect on the food supply, it also eroded future production potential for some time, as farms must remain vacant for about 2 months following FMD outbreaks. Large imports of swine breeding stock will be needed to replenish the depopulated sow stocks. The constraints on repopulating operations and the biological lags inherent in pork production would be expected to dampen demand for corn into next year. U.S. pork exports will likely benefit during the time it takes for South Korea to gradually rebuild its swine industry.

For further information, contact Lesley Ahmed, [Lesley.Ahmed@fas.usda.gov](mailto:Lesley.Ahmed@fas.usda.gov), 202-720-2781