



# **Korean Dairy Industry: Current Status & Perspectives**

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# I . Overview of Korean Dairy Industry

# 1. Characteristics of Korean Dairy Industry

## History

Started with a commercial dairy in the 1930s, modernized in 1960 & contemporary dairy industry since 1990

## Spread Of Farm

Approximately 6,000 farms located mainly suburban area of metropolitans

## Management

Heavily depending on imported feedstuffs because of limited pasture  
Mainly intensive farming system with family-own labor

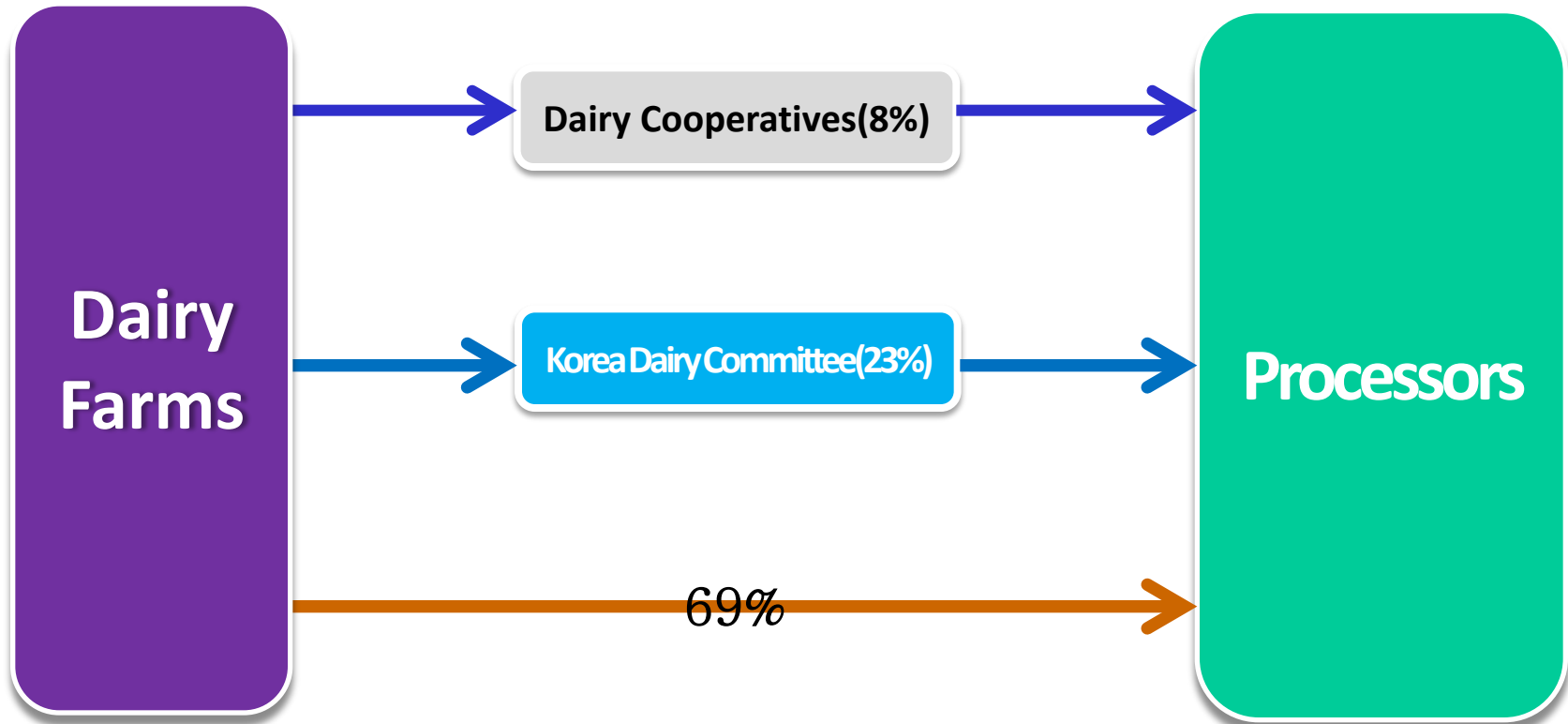
## Self-Sufficiency Rate

Production of 2.1 million tons of milk annually, which covers 62% of total consumption

## Competitiveness

Raw milk price is 2 or 3 times higher than other countries

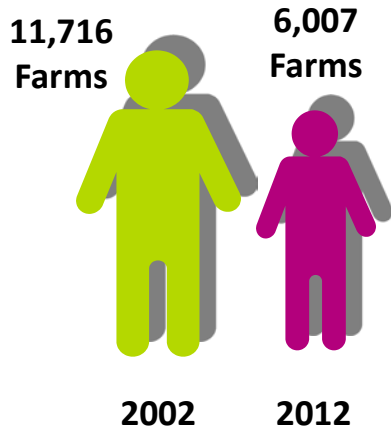
## 2. Supply System of Raw Milk



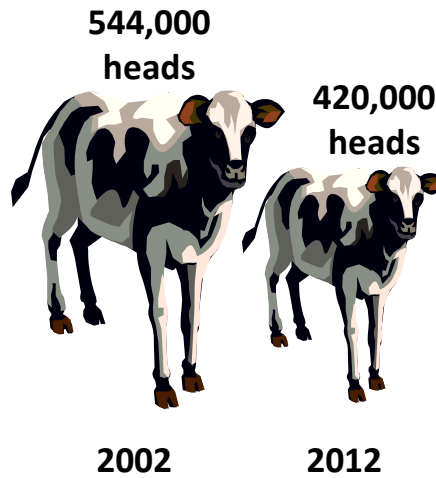
# 3. Raw Milk Production

## Milk Production

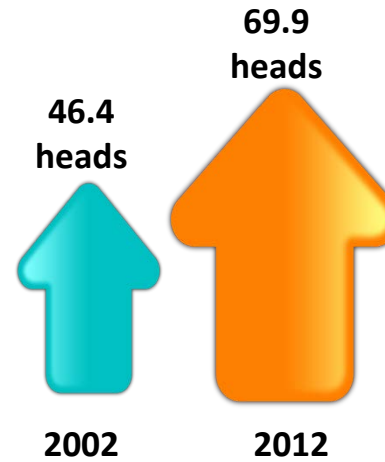
- ◆ Total Value of Production : 1.8 Billion USD in `12  
App. 12.6% of total value of livestock production
- ◆ Milk Production : ['02] 2.54 Million tons → ('05) 2.23 → ('11) 1.89 → ('12) 2.11



No. of Dairy Farms



No. of Dairy Cows



No. of Cows Per Farm



Milk Production per cow

## 4. Milk Processing

### Total Value of Production of Dairy Product

6.4 billion USD in 2011, 26.8% increase compared to 5.5 billion USD in 2005  
 - No. of processing factories decreased due to decreases in the consumption and the market structure based on the domestic demand : ['00] 55 → ['12] 44

#### Use of domestic raw milk in 2012 (Total amount 2,110,000 ton)

<b>Fluid Milk</b>	<b>1,410,000t (66.6%)</b>	<b>Powdered Milk</b>	<b>200,000t (9.3%)</b>
<b>Processed Milk</b>	<b>170,000t (8.1%)</b>	<b>Others</b>	<b>330,000t (16.0%)</b>

Market Structure : 3 processors (Seoul, Namyang, Maeil ) share **61%** of the market

Annual consumption of dairy product per capita [**67.2kg**] is similar to that of rice [69.8kg].

Processing Capacity of Processors is **9,919 ton** /day.

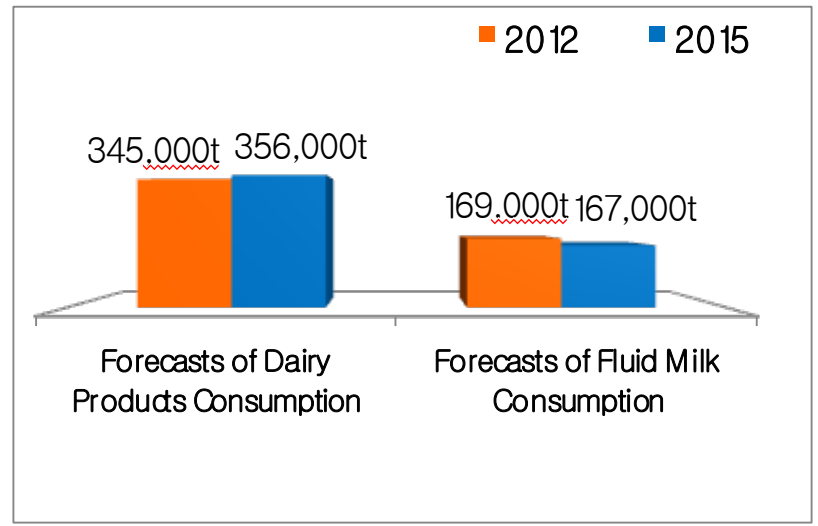
- Fluid Milk 7,447, Fermented milk 2,072, Cheese 97, Infant formula 140, Powdered milk 163

# 5. Milk Consumption



Such factors as decreased birth rate, lifestyle changes caused a decrease in consumption of fluid milk  
Increased consumption of other dairy products has lead to the total amount of consumption on the rise.

	2002	2012
Milk Self-Sufficiency Rate	82.9%	62.8
Fluid Milk Consumption per capita (kg)	34.9kg	33.6
Dairy Products Consumption per capita (kg)	64.3kg	67.2







## **II . Current Issues of Dairy Industry**

# Current Issues of Korea Dairy Industry

- 1** **Necessity of supply control at the national level** due to diversified raw milk production management authorities
- 2** **Decreasing number of dairy farmers** due to an aged population
- 3** **Increased burden of farm management** due to unstable international feed price, globally opening market, etc
- 4** Negative perception of livestock industry due to problems like livestock manure, animal diseases, etc
- 5** **Decline in fluid milk consumption** due to low birth rate and the expanding market of substitute drinks



# III. Future Directions of Dairy Policy

# Supply and Demand Control System On the national level

## Necessity

- To maintain the equity among farmers and establish a stable supply and demand control system of raw milk by managing production and distribution

## Proposed Plan

- [Supply and demand control consultation] Stable supply and demand management, creation of measures at each stage
  - ✓ Supply and demand forecasting, establishment of standard regulation and self-regulating basis for co-prosperity
- [Supply and Demand Forecasting Models] Establishment of forecasting system for production and consumption of milk and dairy product using database
- No. of dairy cows, milk production per cow, raw milk production, consumption, use of raw milk, etc

# Improvement of Productivity

## A. Promotion of New Farmers and Successors

- To provide new farmers and successors with free lease of milk delivery license by each milk collection agent
  - Free lease of milk delivery license at a maximum quantity of 1,000ℓ per farm (recollecting in 7 years with a 3-year of grace period)

## B. Operation of Farms Raising Heifers

- To reduce the production cost and expand the production life span of cows by operating farms specialized for raising replacement heifers for outsourcing

# Improvement of Productivity

## C. Reduction & Stabilization of Feed Cost

- **(Price Stabilization)** Stabilization of feed price and promotion of livestock product competitiveness through the promotion of overseas agricultural development
  - Reducing grain feed ration through revolutionizing the grading system of livestock products and decreasing the age at slaughter
  - Promoting overseas agricultural development including expansion of secured grain from overseas development projects
- **(Increasing Forage Production)** Establishment of forage production system to enhance the quality of livestock products
  - Use of idle farmland and reclaimed land to increase the production of high quality forage and improving conditions for support the forage business to encourage participation in producing forage
  - Constructing a quality evaluation system of forage, enhancing consulting service targeting the management and education/promotion for farmers

# Enhancement of Competitiveness

## A. Establishment of Eco-friendly Livestock Foundation

- Promotion of livestock farming in mountainous areas by using idle mountains such as national forest
  - Verification of applicability to common farms after implementing a pilot project (after '14)
- Establishment of Eco-friendly Livestock Complex : Pilot project till '15(5 complexes)

## B. Promotion of Nutrient Recycling of Livestock Manure

- Joint nutrient recycling system of livestock manure and expansion of facilities
  - \* Joint resource recovery/energy recovery facility : ('12) 85/6 → ('13) 98/8 → ('17) 150/21
- Compulsory registration of fertilizer production, standard setting on diffusion of liquid fertilizer and compulsory prescription of fertilization to produce high quality manure and liquid fertilizer
- Promotion of consultants and establishment of private organizations for an efficient management of livestock manure

# Enhancement of Competitiveness

## C. Eradication of Livestock Diseases

- To acquire the status of a **Foot-and-Mouth Disease free nation** in '14
  - **Advanced preventive measures to better control risk factors** by nationwide sterilization and forecasting, special control over livestock-related officials visiting countries with the outbreak of FMD, and enhancing management of vaccination of foot-and-mouth disease
- To test-operate a disease control rating system by each farm('13) and devise and distribute a manual regarding prevention and quarantine by each livestock species and facility('13-'14) as well as progressive implementation of livestock license system



# Expansion of Consumption

## Necessity

- To solve difficulty in maintaining the dairy industry due to decreasing self-sufficiency rate caused by increasing imports.
- To secure stable milk consumption and ease difficulty such as spread of Anti Milk campaign, low birth rates, etc
- To address expansion of indifference due to the misunderstanding of milk and the lack of awareness for school milk

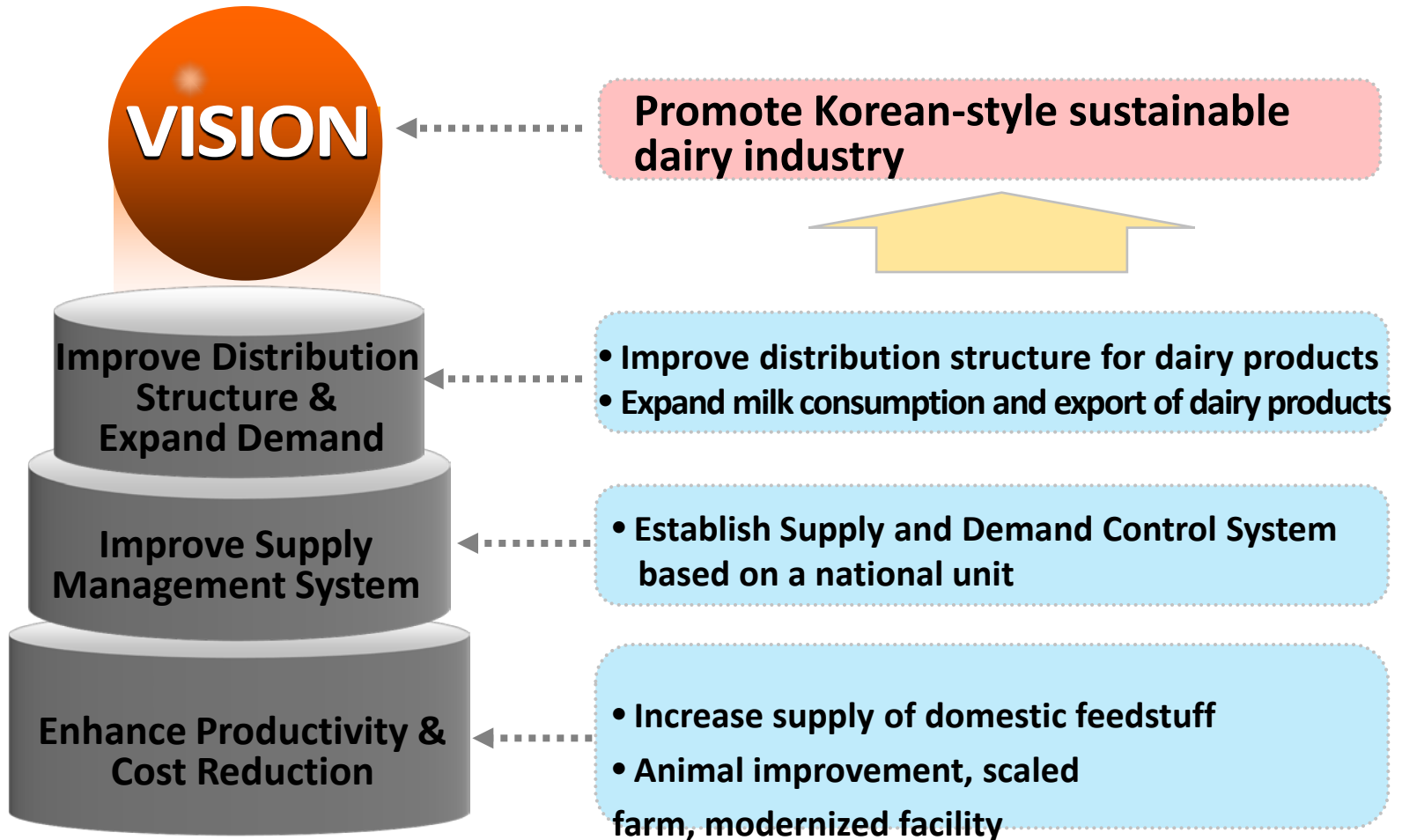
## Proposed Plan

- **(Expansion of Consumption)** Promoting consumption of fresh milk by generic market funded by dairy producers
- **(Promoting R&D)** Securing quality competitiveness by developing new and diverse products
- **(Prospective consumers)** Promoting a good habit of drinking milk by expanding school milk program



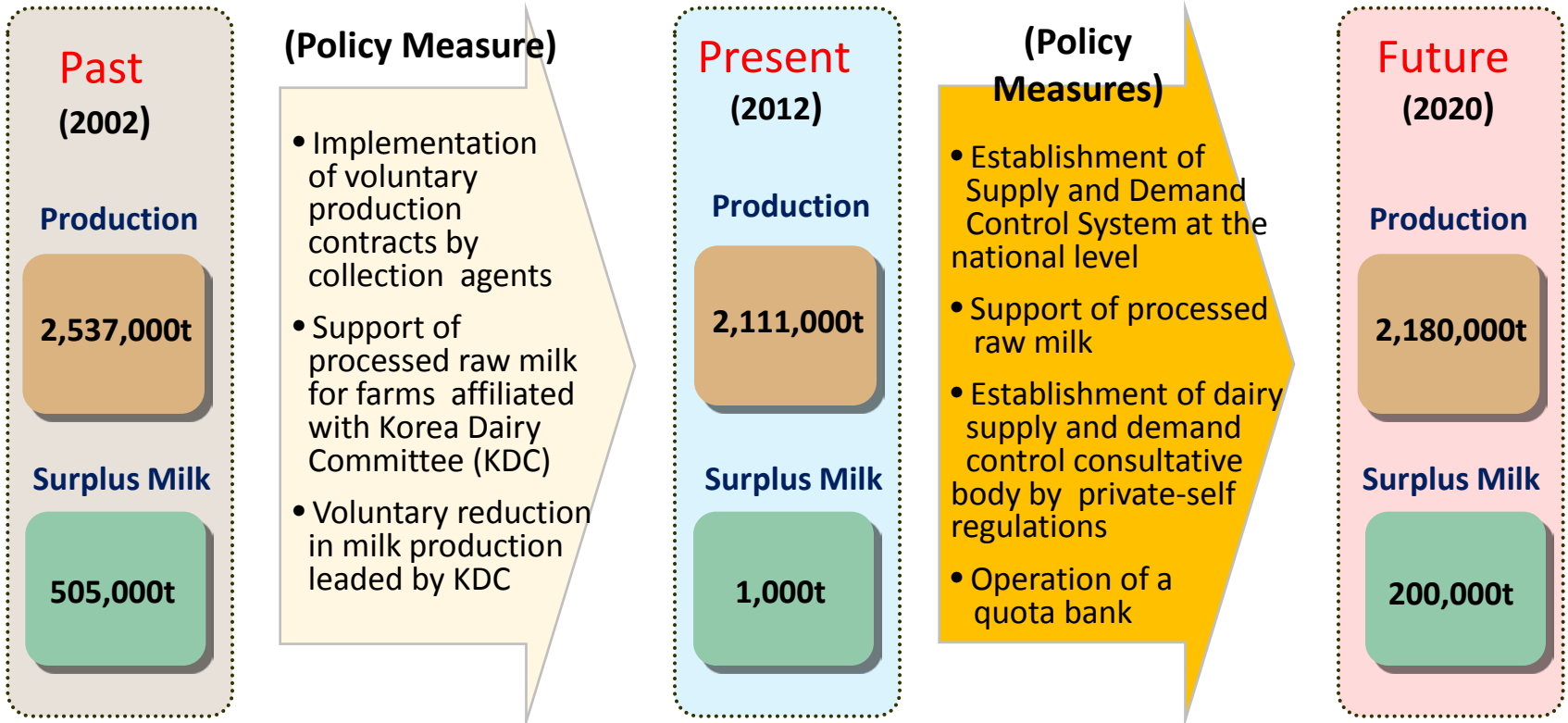
# IV. Vision of Korean Dairy Industry

# 1. Vision of Korean Dairy Industry



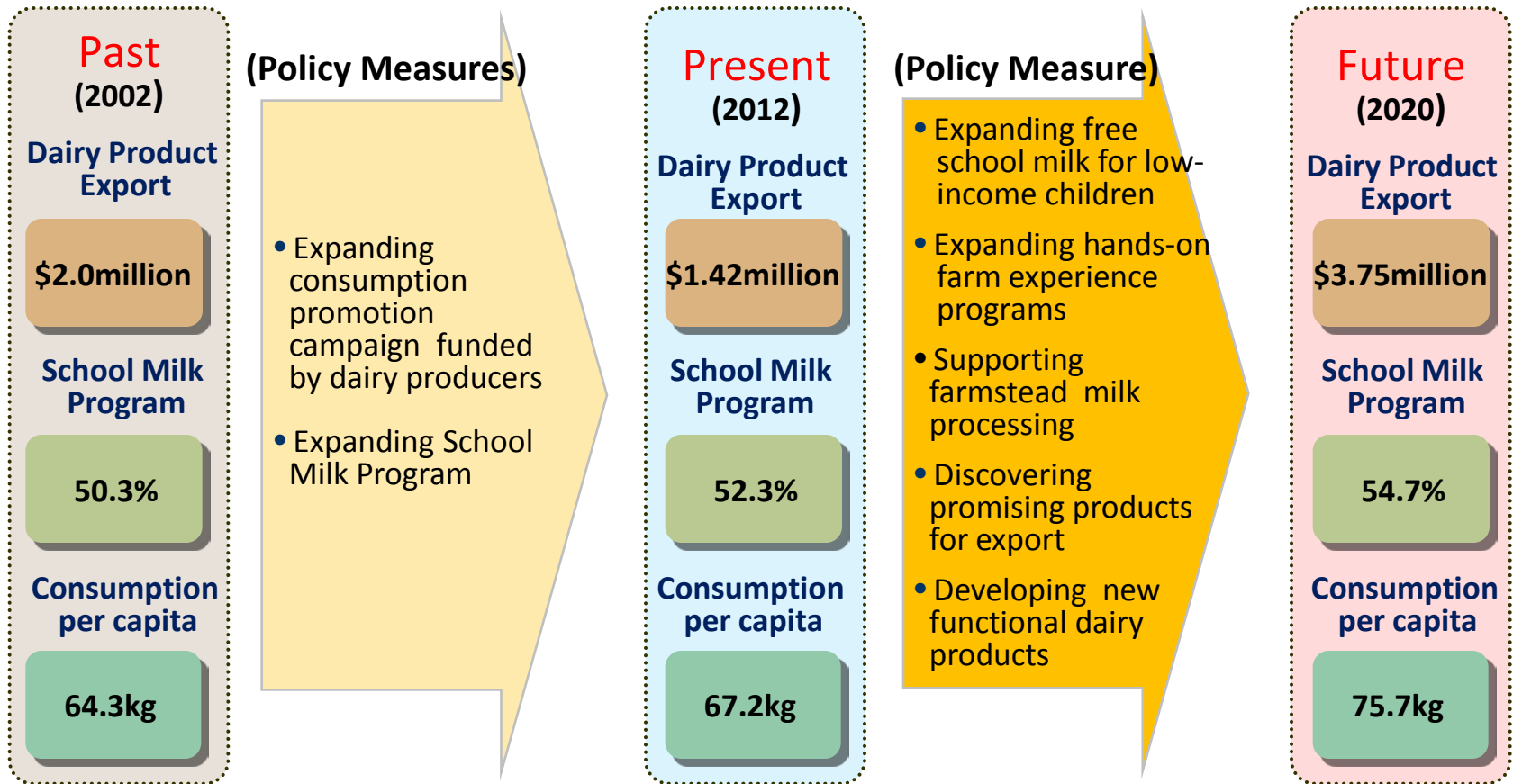
## 2. Future of Dairy Industry

### 1. Managing Supply and Demand



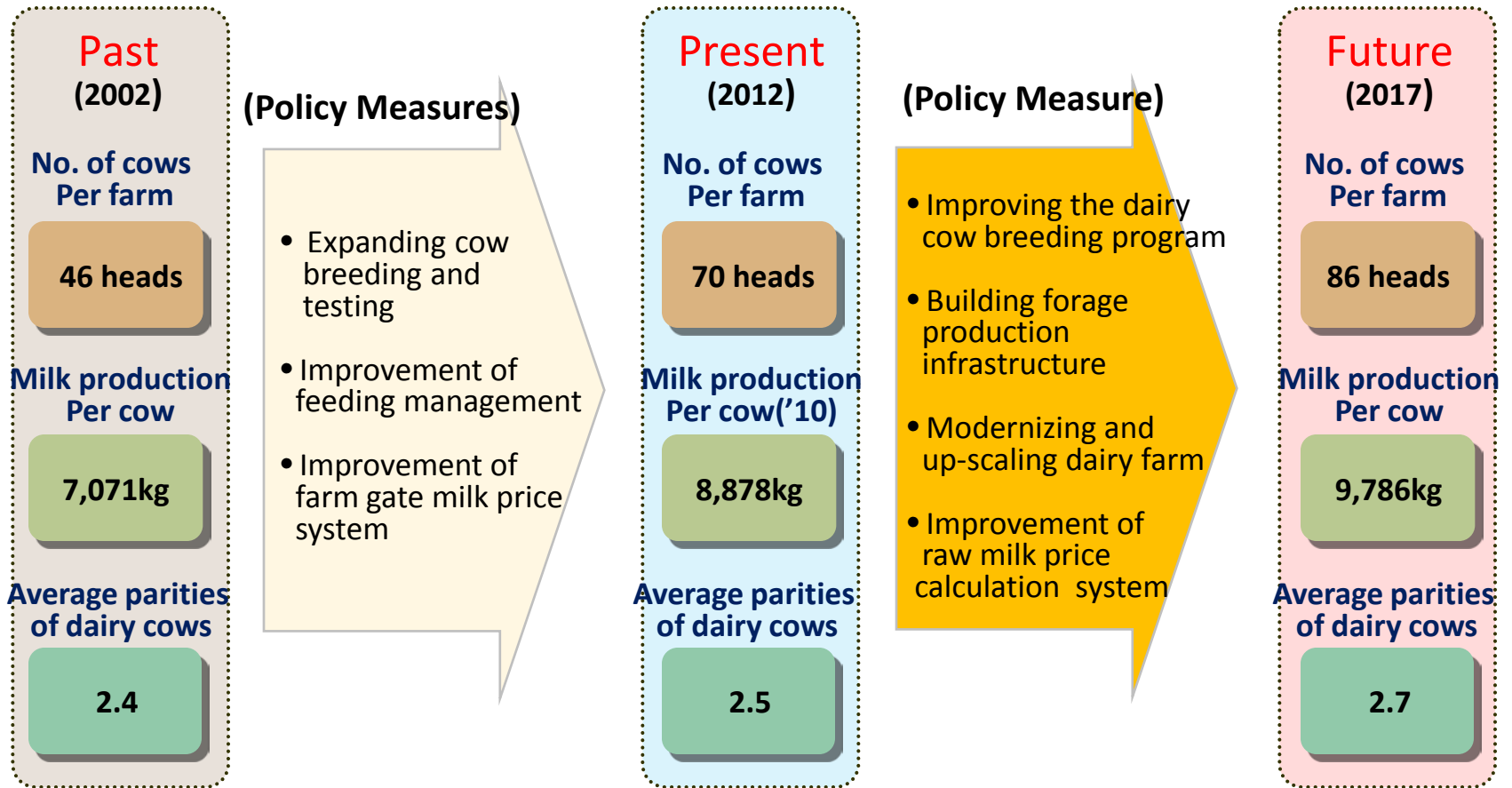
# 2. Future of Dairy Industry

## 2. Expanding milk consumption



## 2. Future of Dairy Industry

### 3. Growth of Production





*Thank You*