

Increased Chicken Consumption along with the Coordinated Structure Change in Korea

Young In Park[†]

Korea Checkoff Institution, Seoul 151-080, Korea

ABSTRACT The chicken has been growing in Korea for more than a thousand years according to the history book and commercially rising for broiler meat only since 1960's. As income increased mainly due to improved economy, it changes the habit of eating especially chicken meat. The structure changes into a coordinated production and marketing system which forced the prevailed small and independent producers to become a contract farmer under the vertically controlled practices. This coordinated structure began in 1970's and evolved continually to occupy around 90 percent of the market in 2010 with some ten (10) private brands being advertising. The industrial organizations have also conducted the generic promotion by a farmer's check-off program. Over the past 20 years, chicken import steadily increased to meet about 25 percent of the domestic market while the export showed negligible growth. As a whole, the structure change and international trade devoted to increased chicken consumption from 2 kg with the independent operation to 11 kg currently under the coordinated system and import. It is predicted that chicken consumption will grow in years to come and the import will also increase in addition to local productions, considering the free trade agreement that has already been in practice with EU and US to open the market eventually from all sources of supply worldwide.

(Key words : contract farming, vertical integration, generic and brand promotion, free trade agreement)

INTRODUCTION

The chicken consumption in Korea has increased over year along with the change of operational structure under the contract arrangement. It is indicated that majority of the chicken today is produced in the coordinated management and is being advertised by integrators with brand, resulting in increased sales of chicken. In addition, industrial organizations also perform the generic promotion by a check-off program to expand the demand for chicken.

Trend of importing chicken is gaining pace mainly owing to favorably competitive price. To compensate increasing demand, not only a steep rise is observed for chicken meat import but local production also showed an upward trend.

This paper is intended to review the picture of the increased pattern of chicken consumption influenced by coordinated operation, and to analyze the fact of the change so as to prospect the future by using the existing data and conducting the field survey.

RAPID INCREASE OF CHICKEN CONSUMPTION

Over the history of Korean's eating habit, it tended to focus on grains as a main dish, while a variety of vegetables and meats were considered as a side dish. As economy developed, the eating pattern gradually changed from starch- to protein-based diets, comprising of beef, pork and chicken, and generally beef and pork is preferred than chicken meat.

As chicken is becoming less expensive and easily available with the passage of time, its consumption is increasing rapidly than other meats. The following table shows the change of major meat consumption trend during the past 30 years (Korea Chicken Council, 2001).

The level of Korean's per capita chicken consumption at 10.7 kg in 2010 was relatively lower than many western countries like the United States with more than 40 kg and even in Asian countries, say, Japan consumed 14 kg. In Korea, the consumption of chicken showed highest rate of increase at 4.5 times during 1980~2010 periods, while beef and pork did a little over 3 times, respectively (Table 1).

VERTICALLY COORDINATED CONTRACT FARMING

Traditionally, the chicken was grown in farm's backyard

[†] To whom correspondence should be addressed : youngpark@korea.com

Table 1. Per capita chicken consumption in Korea, 1980~2010

	1980	1990	2000	2010	2010/ 1980 (%)
Chicken (kg)	2.4	4.0	6.9	10.7	446
Pork (kg)	6.3	11.8	16.5	19.3	306
Beef (kg)	2.6	4.1	7.4	8.8	338
GDP (\$1,000)	1.7	6.3	11.3	20.7	1,250

for the purpose of eggs and meat, and commercially it has been rearing only since 1960's when the meat type chicken breed was introduced. The industrialized chicken business has remarkably evolved over the period of 1970's along with the dynamic economy growth.

The independent and small scale broiler farmers experienced difficulties of unstable farm price caused by unbalanced supply and demand in the beginning of commercialization. In fact, the entry and exit of individual farmers repeatedly took place to make the industry as a whole very risky.

It was quite natural that the coordinated system between production and processing/marketing was occurred under one management to overcome the problems being faced to farmers and entire industry as well. In an effort to reorganize the broiler/chicken operation, the structural change reasonably emerged and helped solve the difficulties of independent operation.

As shown in the Table 2, the coordinated system currently occupies more than 90 percent of the market by the integrated contract arrangement.

The contract farming has become quite common today, but still a certain conflict of interest exists between the coordinators and farmers, mostly in the supply of production material and grower payment aspects. However, the farmers generally satisfy with the coordinated relationship (Kim, 2012).

Table 2. Coordinated farming/market share change in Korea, 1980~2010

	1970	1980	1990	2000	2010
Farms (1,000)	300	30	3	2	2
Coordinators (No.)	5	20	25	20	15
Market share (%)	5	30	75	80	90

COMBINE GENERIC AND BRAND PROMOTION

The change of operational system into vertically integrated structure made it possible for coordinated companies to competitively advertise their brands. More than 10 brands provide various consumer services including their special messages in quality, sanitation, safety and taste of chicken.

In addition, the industry organizations like Korea Chicken Council and Korea Poultry Association also conduct the generic promotion by using the farmers' check-off funds in a variety of ways. Table 3 shows the areas of promotional programs.

It is commonly understood that the generic promotion help consumers better aware of commodity/chicken in general, whereas the brand promotion targets to sell their products. Therefore, the industry puts collective efforts to promote the commodity for members by using check-off funds. The combined activities of publicity and advertisement in both sides are accelerating the overall chicken consumption.

INCREASED SUPPLY BY PRODUCTION AND IMPORT

As per capital income and chicken consumption increased, the domestic production and import of chicken also tended to expand each year. Table 4 indicates the supply of chicken to the market by origin of domestic verses overseas.

The coordinated system helped to expand the local production and promotional activities assisted to increase the demand which, in turn, is reflected in terms of increased import of chicken. The export of chicken showed negligible rise and the self-sufficiency ratio lowered to 75 percent in 2010. It

Table 3. Key areas of generic chicken promotion in Korea

Areas	Programs
Promotion	Nutrition, sanitation, safety, recipe, cooking contest, etc.
Education	Product information, consumption pattern, industry picture, etc.
Research	Product development, processing/marketing, trading, etc.

Table 4. Chicken production and import in Korea, 1980~2010

	1980	1990	2000	2010	2010/1990 (%)
	-----1,000 MT-----				
Production	92	172	261	436	253
Import	-	10	66	108	164
2011 share (%)	US 75	Brazil 22	Denmark 2		
Self-sufficiency (%)	100	95	80	75	

might be due to the fact that the cost of domestic production is around 25 percent higher than from chicken exporting countries (Park, 2007).

CONCLUSION

It is inferred from above discussion that chicken consumption in Korea has steadily been increasing mainly owing to changing eating habit, demand for animal protein particularly chicken, improved economy and opened international trade. Over a generation long, the industry structure has changed from the independent to coordinated/integrated practice, thus both industry organizations and chicken companies promoted the products which expanded the demand for locally as well as imported chicken.

It is predicted that the demand for chicken will grow more rapidly than in the past, considering the fact that per capita

consumption is still comparatively low and consumers prefer white meat. Also, the import of chicken will increase due mainly to higher cost of local production in the free trade era, for which the agreement (FTA) is already in practice with the EU and the US. Korean market must be opened to all regions to fairly compete on a consumer satisfaction basis.

LITERATURE CITED

- Kim JJ (2012) Improvement on the integrated poultry system in Korea. (unpublished) Korea Agribusiness Institute.
- Korea Chicken Council (2001) History of Korea chicken industry development. Korea Integration Society.
- Park YI (2007) Overview of checkoff programs in Korea. Korea Checkoff Institute.

(received: 2012. 9. 18, revised: 2012. 12. 5, accepted: 2012. 12. 12)