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Product Brief

Horses

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Report Highlights:

Korea has a small, but booming race horse industry. This coming year presents especially good opportunities for U.S. suppliers. In April 2005, the city of Busan is scheduled to open a new racetrack and the Korean Racing Association (KRA) plans to import at least 150 horses from the U.S. for the first year. In Seoul, racehorse owners are expected to import approximately 150 racehorses and breeders to import 100-200 Thoroughbred mares annually. As the Korean industry becomes more sophisticated and the popularity of horse racing grows, the import price per head continues to rise.

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Section 1. Market Overview

The horse racing industry in Korea expanded significantly in both number of spectators and revenue over the past years. However, because of the economic downturn in Korea and newly introduced Lotto lottery, the revenue decreased to \$4.7 billion in 2003, down from \$5.8 billion in 2002, but the number of spectators increased to about 18 million from about 16 million in 2002.

There are currently two commercial racehorse tracks in Korea, the first one with about 1,400 Thoroughbred racehorses registered which is located in the Seoul suburb of Gwacheon, and the other, with about 500 Jeju race ponies (indigenous local ponies) registered, on Jeju Island, south of the Korean Peninsula.

Korea has a small but booming horse race industry, as demonstrated by the scheduled opening of a new racetrack in Busan in April 2005. The Korea Racing Association (KRA) reportedly plans to buy about 200 domestic Thoroughbred horses from its Jeju KRA stud farm and another 100 horses from local private breeders. It also plans to import 150 Thoroughbred horses from the U.S. and another 150 horses from other countries such as Australia, New Zealand and Japan according to association sources. They intend to sell these horses, following a training period, to the Busan horse owners through auctions in early 2005.

Advantages	Challenges
Strong demand for breeding and race horses	US exporters lack knowledge of Korean market
Rising reputation of US horses	Competitors are active in promotional activities
No customs duties for Thoroughbred mares	Korean buyers lack familiarity with US sources
Opening of a new race track in 2005	Korean buyers lack information
Thoroughbred mare breeding supported by the government	

Section II. Market Sector Opportunities and Threats

There are about 110 Thoroughbred horse breeders across Korea, raising a total of about 3,000 foals, yearlings, colts, fillies and horses. There are two Thoroughbred breeders associations in Korea, the Korea Thoroughbred Breeders Association (KTBA), located on Jeju Island, and the Korea Inland Horse Breeders Association (KIBA), currently located in Gyeongju. There are also about 350 equestrian event (sport) horses registered with the Korea Equestrian Federation. The equestrian horses are all imported and come from various countries, including France, Germany, Japan and China.

KTBA members generally import between 100 and 200 pregnant mares annually, the foals of which, once born in Korea, are considered domestic horses. When the foals become 6 months old, breeders normally sell about 20 percent of the foals to KRA in Jeju, which trains them for about 18 months. At 2 years, KRA sells them to Korean racehorse owners through auctions. Breeders raise the remaining 80 percent and sell them directly to racehorse owners. KIBA members generally use the retired racehorses from KRA for breeding purposes but also import a few mares each year.

KRA is a quasi-government agency that administrates and manages the racetracks in Gwacheon and Jeju as it will for the new Busan track. Of the approximate 1,400 racehorses registered with the Gwacheon racecourse, about 75 percent were domestically produced and

the remaining 25 percent imported. The Jeju ponies (indigenous local small horses) registered with the Jeju racecourse are all domestic. KRA also has a stud farm on Jeju Island where about 400 horses, under 3 years old, are raised and trained. Those animals are purchased from the KTBA members. KRA works closely with KTBA to provide the member breeders with free stud services, medical services and other support.

There are about 400 racehorse owners associated with the Gwacheon racecourse. Those owners are only allowed to import unraced horses to keep horse owners from importing expensive animals with proven race experience. They import about 150 racehorses annually to replace horses that have performed poorly. The average importing prices are reportedly increasing. Until a few years ago the average price was about \$15,000 per head, but some owners are now paying as much as \$100,000 per head because there is now no officially regulated for imported horses. The price ceiling system was abolished in 2002.

A new racetrack is scheduled to open in Busan in April 2005. The total demand for racehorses for the new racetrack will be about 900 horses. KRA plans to purchase 600 animals beginning in March 2004. They plan to purchase 300 domestically, 200 from their Jeju stud farm and another 100 from local private breeders. They also plan to import 300 horses, 150 from the U.S. and 150 horses from other countries, including Australia, New Zealand and Japan. They are going to train the new horses at the new track until February or March 2005, when they plan to sell the horses through auctions to the Busan horse owners. After that, Busan horse owners will buy and/or import racehorses directly.

ATO Seoul, working in cooperation with the states of Maryland and Florida and the U.S. Livestock Genetics Export, Inc., in December 2003 undertook the first U.S. Thoroughbred promotion effort in over 6 years. The activities included education seminars for Korean owners and trainers, meetings and visits in Seoul, Jeju Island and Busan. This followed an ATO sponsored Thoroughbred buying mission to Ocala in Florida in 2002. There will, likewise, be a similar buying mission planned for April 2004.

U.S. horse suppliers should visit and/or contact Korean horse owners, breeders and/or their associations, develop and maintain good relationships, hold seminars, exchange technical information, and invite horse people to visit their farms. Both Thoroughbred horse breeders and horse owners express interest in visiting the U.S. to view and purchase horses at auctions held in the United States.

Although the U.S. is the largest supplier of breeding horses, most Thoroughbred horse breeders lack familiarity with U.S. horse suppliers, medicines and vaccines. Many Thoroughbred horse breeders are farmers who are just now learning the business. They generally work with middlemen. They would like to establish good direct business relationships with U.S. suppliers, exchange technical information, and undertake mutual visits

Section III. Imports

1) Total Imports of Horses in Korea

Year	Pure-bred Breeding Horse (Value: \$1,000)		Racing Horse (Value: \$1,000)		Other Horse (Value: \$1,000)		Total Imports (Value: \$1,000)	
	Head	Value	Head	Value	Head	Value	Head	Value
1998	10	30	291	1,747	0	0	301	1,777

1999	106	1,523	360	2,284	6	23	472	3,830
2000	740	4,017	300	2,456	37	629	1,077	7,102
2001	126	1,007	235	3,076	31	521	882	4,965
2002	232	2,911	293	3,636	259	720	784	7,267
2003*	78	398	217	3,758	617	416	912	4,572

*Imports in 2003 are for January through November

Sources: Korea Trade Information Service.

2) Imports of Thoroughbred Breeding Horses by Country

2001			2002		Jan.-Nov.2003	
Country	Head	Value(\$1,000)	Head	Value(\$1,000)	Head	Value(\$1,000)
USA	89	747	211	2,728	39	187
Australia	22	232	8	70	18	60
Japan	6	20	13	113	21	151
Others	9	8	0	0	0	0
Total	126	1,007	232	2,911	78	398

Sources: Korea Trade Information Service

3) Imports of Race Horses by Country

2001			2002		Jan.-Nov.2003	
Country	Head	Value(\$1,000)	Head	Value(\$1,000)	Head	Value(\$1,000)
USA	177	1,389	140	1,695	81	1,397
Germany	24	1,289	56	817	43	761
Australia	22	254	85	966	47	715
New Zealand	0	0	2	35	28	570
Belgium	11	91	4	18	9	126
Japan	0	0	0	0	5	121
Others	1	53	6	105	4	68
Total	235	3,076	293	3,636	217	3,758

Sources: Korea Trade Information Service

4) Imports of Other Horses by Country (Equestrian event, riding and other purpose horses)

2001			2002		Jan.-Nov.2003	
Country	Head	Value(\$1,000)	Head	Value(\$1,000)	Head	Value(\$1,000)
China	0	0	201	73	583	210
France	0	0	0	0	13	104
Japan	7	18	31	149	18	85
Austria	0	0	6	28	0	0
Australia	10	422	9	410	0	0
Hungary	5	35	0	0	0	0
Germany	3	26	0	0	0	0
Others	6	20	12	60	3	17
Total	31	521	259	720	617	416

Sources: Korea Trade Information Service

Section IV. Competition

The United States has been a strong supplier of Thoroughbred breeding horses. However, in 2003 overall, imports of breeding horses dropped significantly from previous years because the opening of the new Busan racetrack, originally scheduled for 2004, was delayed until April 2005. As a result, breeders could not sell their horses and have carried-over-inventory, and, therefore, could not import more horses. Australia and Japan are the main competitors for U.S. breeding horses.

The United States is also a strong supplier of racehorses, but Germany and Australia are strong competitors. Horses imported from the U.S. come largely from Florida, Maryland, Kentucky and California. The market for other horses, including equestrian event horses, is still small, and almost no imports of these animals are from the U.S. They are coming from many countries such as China, France, Japan and Australia. Competitors' suppliers are doing promotional activities including seminars, trade services and direct contacts with Korean horse buyers. KTBA officials said that U.S. competitors such as, Australia, Japan and New Zealand, are active in Korea. They visit the association and hold various promotional activities.

Section V. Market Access

With approval from the competent Korean government agencies, the customs duties for Thoroughbred mares and equestrian event horses for Korea's national representative players are currently zero percent. The tariff for racehorses, stallions and other horses is 8 percent imposed on the CIF (Cost, Insurance and Freight) value. In addition, a 10 percent valued added tax is currently imposed on the CIF value of all imported horses, including breeding horses, race horses, equestrian event horses and other riding horses.

Racehorse owners are only allowed to import horses that have not raced before in order to keep horse owners from importing expensive racehorses with proven track records.

Section V1. Key contacts and further information

For further information contact:
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