

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Voluntary - Public

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## **Korea - Republic of**

**Post:** Seoul

### **Forage Market Report 2019**

**Report Categories:**

Product Brief

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**Report Highlights:**

The United States continues to be a top supplier of forage to South Korea. While U.S. exports were down 15 percent by value in 2018, the United States still accounts for 77 percent of total forage imported by Korea. The demand in Korea is mainly due to the Korean livestock sector's reliance on high quality imported forage. While Australia, Canada and the United States will all have tariffs phased out under their respective free trade agreements with Korea, the United States will still have an advantage due to the types of forage we produce and ship.

**General Information:**

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**SECTION I: MARKET OVERVIEW**

- In 2018, Korea’s imports of forage products (HSC 121490) totaled \$337 million. Domestic production covers about 80 percent of consumption and imports take care of the rest.
- Korea’s imports from the United States were valued at \$264 million in 2018, down 15 percent from the previous year. In terms of volume, U.S. exports totaled 818 thousand metric ton, down 23 percent from 2017. The United States accounted for 77 percent of the total forage Korea imported.
- Korea’s livestock sector relies on imported forage and values its quality. In 2018, Korea had a total of 3.1 million beef cattle and 408,000 dairy cows.

## SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

Opportunities	Challenges
American forage is recognized in Korea for high quality and product consistency	
There is a constant demand for high quality forage. Most locally produced forage (mainly hay) is of lower quality.	Korean Government promotes local production of forage products
The KORUS FTA reduced import tariffs on American forage products	There are still quotas for importation and distribution of forage product

### 1. Domestic Production

The Korean government (ROKG) has encouraged rice farmers to cultivate other crops on what had been rice acreage to reduce the burden of accumulated rice stocks. As an example, the ROKG initiated a rice reduction program last year that is designed for rice farmers who cultivate other crops on land previously planted to rice to receive Korean Won (KRW) 3.4 million per ha (USD 3,157 per ha) on average. In 2018 rice farmers participated in the rice reduction program by cultivating forage (9,115 ha), soybeans (7,139 ha) and other crops (10,192 ha) in lieu of rice. A government budget of KRW 187 billion (USD 170 million), targeting 55,000 ha, was available for the program in 2019, resulting in 33,000 ha applicable for the rice reduction program by cultivating forage (10,686 ha), soybeans (11,124 ha), other crops (9,957 ha) and fallow (1,578 ha). Rice farmers who cultivate forage in 2019 will receive a subsidy of 4.3 million Korean won per ha (USD 3,740).

An increase in forage production as a result of the rice reduction program has led the ROKG to reduce the autonomous import TRQ of fodder and hay to support rice farmers who cultivate forage in their rice

paddy fields. The ROKG recently announced a 10 percent reduction in the total TRQ starting with 2020 as indicated below.

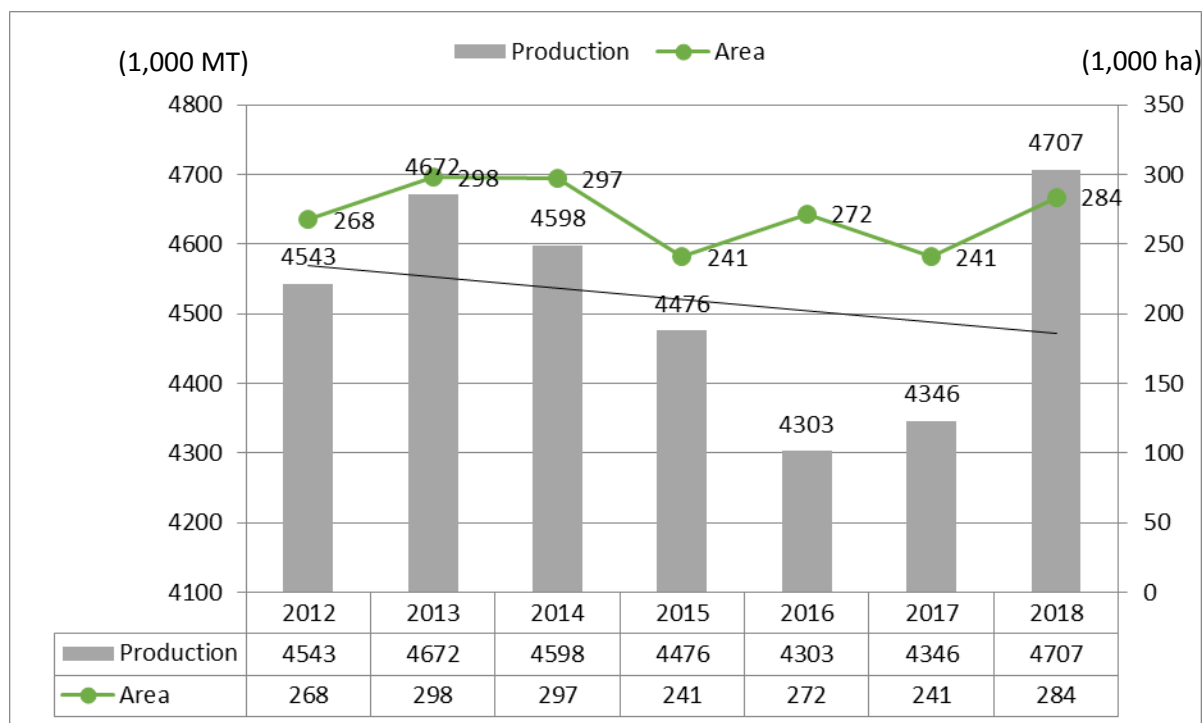
### **Korea: Estimated Forage Import TRQ Plan**

Year	2019	2020	2021	2022	2023
Total TRQ	891,500	803,000	723,000	651,000	586,000
US FTA TRQ	200,000	200,000	200,000	200,000	200,000
Australia FTA TRQ	50,000	50,000	50,000	50,000	50,000
Canadian FTA TRQ	40,000	45,000	50,000	55,000	55,000
Autonomous TRQ	601,500	508,000	423,000	346,000	281,000

### **Korea: Supply and Demand of Forage**

Item		Unit	2012	2013	2014	2015	2016	2017	2018
Supply	Total	1,000 MT	5,676	5,814	5,659	5,526	5,428	5,765	5,896
	Domestic	1,000 MT	4,543	4,672	4,598	4,476	4,303	4,346	4,707
	Import	1,000 MT	1,133	1,142	1,061	1,050	1,125	1,419	1,189
Cultivated Area		1,000 ha	268	298	297	241	272	241	284
Self Sufficiency Rate		%	80.0	80.4	81.3	81.0	79.3	75.4	79.8

### **Korea: Forage area and Production**



## 2. Korean Imports

In 2018, Korea's imports of forage totaled \$337 million, down 14.3 percent from the previous year. This decrease was because in 2017, Korea had an unusually high amount of imports due to extensive damage (moisture) to domestic rice straw production.

Country	2016		2017		2018		2018 Jan-June		2019 Jan-June	
	\$1,000	MT	\$1,000	MT	\$1,000	MT	\$1,000	MT	\$1,000	MT
<b>World</b>	<b>284,667</b>	<b>1,031,449</b>	<b>393,324</b>	<b>1,330,862</b>	<b>337,045</b>	<b>1,057,279</b>	<b>178,755</b>	<b>574,789</b>	<b>165,907</b>	<b>494,072</b>
United States	230,627	864,551	311,151	1,060,986	263,948	818,373	138,161	438,108	134,293	407,295
Australia	47,252	142,152	66,359	214,598	60,949	204,271	34,434	117,788	26,878	72,446
Canada	5,244	18,473	12,655	41,579	10,091	27,170	5,010	14,350	3,053	8,328
Spain	318	1,311	1,743	7,247	1,421	5,460	890	3,396	1,180	4,236
Italy			573	2,249	489	1,573	234	877	425	1,443
Others	1,226	4,962	843	4,023	147	432	26	270	78	324

Source: Global Trade Atlas, HS 121490, Rutabagas (Swedes), Mangolds, Fodder Roots, Hay, Clover, Sainfoin, Forage Kale, Vetches Etc., whether or not in pellet form

## SECTION III: MARKET ACCESS

### 1. Tariffs and Tariff Rate Quotas

Korea uses tariff rate quotas (TRQs) through bilateral free trade agreements (FTA) as well as the World Trade Organization (WTO) regime in order to regulate imports of forage. Additionally, Korea implements a voluntary annual TRQ as needed in order to allow additional imports of low-tariff forage. Typically, Korean buyers utilize the FTA TRQs with the United States, Australia and Canada, and the voluntary TRQ first and then move down to the WTO TRQ after the first two TRQs are filled. Both the FTA TRQs and the voluntary TRQ are provided to the buyers on a first-come, first-served basis:

#### Tariff Phase-Out Schedule under KORUS FTA:

HSK Code	Description	Base Rate (%)	2019	2020	2021	2022	2023	2024	2025	2026
1214.90.1000	Fodder roots	100.5	46.9	40.2	33.5	26.8	20.1	13.4	6.7	0
1214.90.9090*	Forage products, other	100.5	46.9	40.2	33.5	26.8	20.1	13.4	6.7	0
2308.00.9000	Vegetable materials and waste, vegetable residues and by products, of a kind used in animal feeding	46.4	9.2	4.7						

\*The KORUS FTA set a 200,000 MT of zero-duty TRQ on forage products under 1214909090. Until 2025, any quantity over 200,000 MT will have the tariff indicated above. From January 1, 2026, the tariff will be eliminated and the duty-free quantity will be unlimited.

#### Tariff Phase-Out Schedule under KOR-AUST FTA:

HSK Code	Description	Base Rate (%)	2019	2020	2021	2022	2023	2024	2025	2026
1214.90.1000*	Fodder roots	100.5	70.3	65.3	60.3	55.2	50.2	50.2	50.2	50.2
1214.90.9090**	Forage products, other	100.5	60.3	53.6	46.9	40.2	33.5	26.8	20.1	13.4
2308.00.9000	Vegetable materials and waste, vegetable residues and by products, of a kind used in	46.4	18.5	13.9	9.2	4.6	0	0	0	0

	animal feeding									
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\*The KOR-AUST FTA does not go to zero duty for HS code 1214901000, but stops at 50.2 percent.

\*\*The KOR-AUST FTA set a 50,000 of zero-duty TRQ until 2027, importing oat hay as a major material, and then the tariff will be eliminated from January 1, 2028.

#### Tariff Phase-Out Schedule under KOR-Canada FTA:

HSK Code	Description	Base Rate (%)	2019	2020	2021	2022	2023	2024	2025	2026
1214.90.1000	Fodder roots	100.5	54.7	45.7	36.5	27.4	18.2	9.1	0	0
1214.90.9090*	Forage products, other	100.5	50.2	40.2	30.1	20.1	10	0	0	0
	TRQ allocation (1000 MT)	--	40	45	50	55	55	--	--	--
2308.00.9000	Vegetable materials and waste, vegetable residues and by products, of a kind used in animal feeding	46.4	23.2	18.5	13.9	9.2	4.6	0	0	0

\*The KOR-Canada set a zero duty for a 20,000 TRQ from 2015 with an increment of 5,000MT reaching 55,000MT in 2022 and 2023, importing Timothy hay as a major material, with a tariff elimination in 2024. Until 2024, any quantity above the incremental increase for the TRQ will be charged at the above rate.

#### Korea's Annual Voluntary TRQ (applied to products from all origins):

HSK Code	Description	Voluntary TRQ Volume	In-Quota Tariff	Out-of-Quota Tariff
1214.90.1000	Fodder roots, Other	600,000 MT	0%	46.9%*
1214.90.9090	Forage products, other			46.9%*
2308.00.9000	Vegetable materials and waste, vegetable residues and by products of a kind used in animal feeding			9.2%**

\* Korea's import tariff on American products will continue to phase out in the coming years and will get to zero percent on January 1 of 2026.

\*\* Korea's import tariff on American products will continue to phase out in the coming years and will get to zero percent on January 1 of 2021.

#### WTO TRQ (applied to products from all WTO member origins):

HSK Code	Description	WTO TRQ Volume	In-Quota Tariff	Out-of-Quota Tariff
1214.90.1000	Fodder roots, Other	32,133.2 MT	5%	46.9%
1214.90.9090	Forage products, other			46.9%
2308.00.9000	Vegetable materials and waste, vegetable residues and by products, of a kind used in animal feeding			9.2%

Another product that Korea allows the import of is hay products mixed with grains and additives for cattle under 2309.90.1040. FTA countries such as the United States, Canada and Australia are eligible to export unlimited quantities to Korea at zero percent tariff, while other WTO members pay 4.2 percent tariff. The United States has been a major supplier of this product, with 58 percent of the market share in 2018.

### Top 10 exporting countries to South Korea of hay products mixed with grains and additives for cattle

Partner Country	2016		2017		2018	
	USD	Quantity (T)	USD	Quantity (T)	USD	Quantity (T)
World		403,210	76,085,265	320,583	132,477,608	501,806
United States	92,022,469	262,012	44,095,346	174,200	81,487,071	289,311
Australia	58,088,597	54,684	12,707,048	44,178	28,809,828	102,094
China	17,215,632	30,728	9,737,709	32,279	11,084,122	31,601
Vietnam	8,917,025	39,571	5,717,560	46,770	5,850,272	50,346
Indonesia	5,137,527	7,705	972,634	7,220	1,098,894	7,657
Philippines	1,016,499	5,141	771,505	8,188	1,033,255	8,647
Ukraine	597,029	-	-	-	818,844	4,396
Germany	-	1,459	663,273	1,417	566,618	1,163
Pakistan	617,954	1,531	954,871	4,819	561,874	2,693
India	306,312	-	24,365	6	350,569	2,110

## 2. Non-Tariff Barriers

Due to the sensitive nature of these products, and the desire to increase usage of domestic product, there is the possibility of increased inspection upon arrival into South Korea as the government looks for non-



compliance with import requirements. Increased inspection could lead to longer clearance times, and therefore higher costs.

### **3. Export Requirements**

To export forage to Korea, American suppliers are required to obtain a phytosanitary certificate from USDA's Animal Plant and Health Inspection Service (APHIS). Exporters needing a phytosanitary certificate should contact the APHIS Plant Protection and Quarantine (PPQ), Phytosanitary Issues Management (PIM) Staff at 301-734 8262. To find the APHIS office location in your state go to [www.aphis.usda.gov](http://www.aphis.usda.gov).

### **4. Inspections**

All imported forage product is subject to inspection by Korea's Animal and Plant Quarantine Agency (APQA).

Presence of foreign materials, including dust, soil and bugs, has been a common reason that imported forage shipments have failed inspection in Korea. Rejected shipments are either destroyed on site or shipped back to the country of origin.

Another key issue that results in rejection is presence of forbidden product in the shipment. Barley grass (*Hordeum*), wheat grass (*Triticum*), rye grain (*Secale*), crested wheat grass (*Agropyron*), and other grass species (*Triticosecale*) in hay products are prohibited in Korea.

## **SECTION IV: KEY CONTACTS AND FURTHER INFORMATION**

### **1. Korean Industry Organization**

There are three industry organizations that represent forage importers in Korea: Korea Feed Ingredient Association, Korea Feed Association, and National Agricultural Cooperative Federation. These organizations should be a source for updated information about TRQ allocations and importer contacts.

#### **Korea Feed Ingredients Association (KFIA)**

20-1, 3-gil, Seoriful, Seocho 1-dong, Seocho-gu, Seoul, Korea 137-879

Phone: +82-2- 585-2223

Fax: +82-2- 588-8297

Email: [kfeedia@kfeedia.org](mailto:kfeedia@kfeedia.org)

[www.kfeedia.org](http://www.kfeedia.org)

#### **Korea Feed Association (KFA)**

KFA BLDG, 1581-13 Seocho-dong, Seocho-gu, Seoul, Korea 137-875

Phone: +82-2-581-5721

Fax: +82-2-3474-8429

Email: [plan@kofeed.org](mailto:plan@kofeed.org)

[www.kofeed.org](http://www.kofeed.org)

#### **National Agricultural Cooperative Federation (NACF)**

Saemunan-gil 91, Chung-gu, Seoul Korea 110-070

Phone: +82-2-2080-5114

<http://www.nonghyup.com>

## **2. USDA/FAS Offices in Korea**

### **U.S. Agricultural Trade Office Seoul (ATO)**

**Korean Address:** Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea

**U.S. Mailing Address:** U.S. Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550

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**Fax:** +82-2 720-7921

**E-mail:** [atoseoul@fas.usda.gov](mailto:atoseoul@fas.usda.gov)

**Internet homepage:** [www.atoseoul.com](http://www.atoseoul.com)

### **Agricultural Affairs Office, U.S. Embassy Seoul (AAO)**

**Korean Address:** U.S. Embassy, 188 Sejong-daero, Jongro-gu, Seoul, Korea

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**Fax:** +82-2 738-7147

**E-mail:** [agseoul@fas.usda.gov](mailto:agseoul@fas.usda.gov)

### **U.S. Animal Plant and Health Inspection Service Seoul (APHIS)**

**Korean Address:** Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea

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