

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Korea - Republic of**

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### **Horse Market Report 2017**

**Report Categories:**

Livestock and Products

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#### **Report Highlights:**

South Korea's horse imports totaled \$25.2 million in 2016. The United States remained the leading exporter to Korea by shipping horses valued at \$18.1 million, up 15 percent from the previous year. Further development of the thoroughbred racing industry in Korea generates increased demand for quality imported genetics. In addition, the emerging recreational horseback riding industry in Korea generates new niche export opportunities for American suppliers.

**General Information:**  
**Table of Contents**

Section I. Market Overview

Section II. Market Sector Opportunities and Challenges

1. Thoroughbred Horse Racing Industry
2. Recreational Horseback Riding Industry
3. Entry Strategy

Section III. Market Access

1. Tariffs & Taxes
2. Health Requirements for Imported Horses

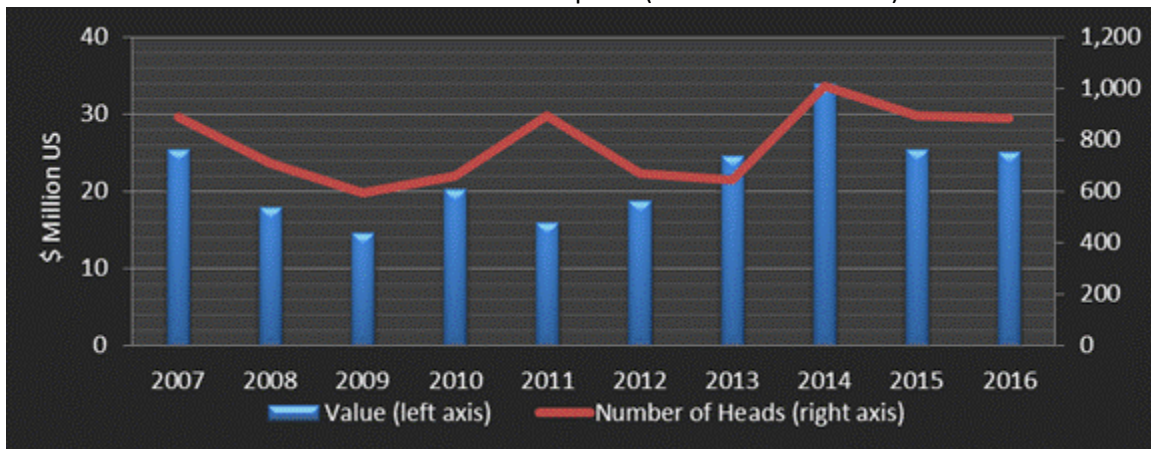
Section VI. Key Contacts and Further Information

## Section I. Market Overview

South Korea's (herein after referred to Korea) horse imports totaled \$25.2 million (or 884 heads) in 2016. Thoroughbred horses for racing were the most imported horses accounting for \$14.4 million (or 431 heads) of imports, followed by thoroughbred horses for breeding (\$6.7 million or 154 heads) and other horses (mainly horses for dressage/recreational riding, \$4.1 million or 299 heads).

The United States remained the leading supplier of the imported horse market in Korea. American horses accounted for 71.7 percent of Korea's horse imports in 2016 by value (or 61.4 percent by number). EU countries, Australia, and Japan continued to present significant competition to American suppliers.

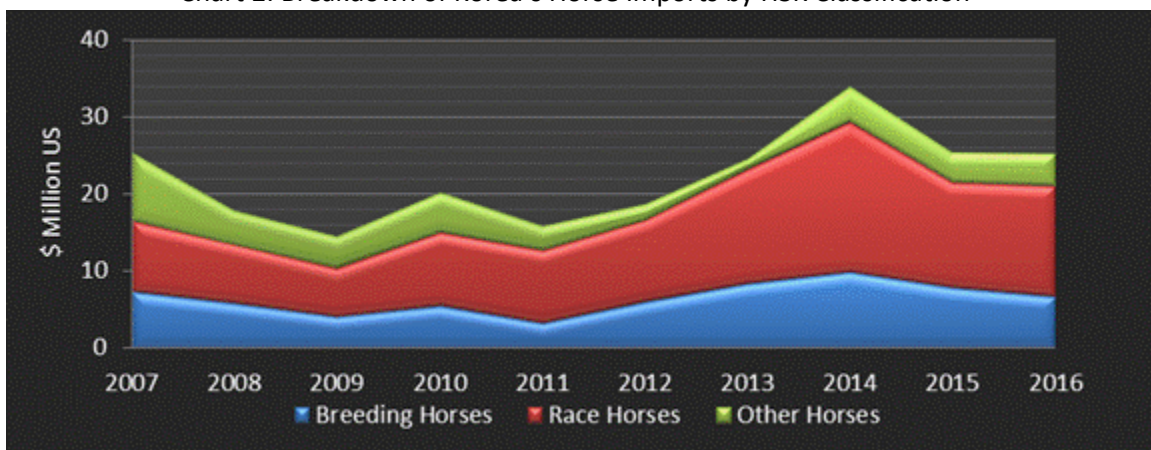
Chart 1: Korea's Horse Imports (Value\* and Number)



\*Note: CIF value inclusive of international shipping and insurance

Source: Korean government/Korea International Trade Association (K-stat, <http://stat.kita.net>)

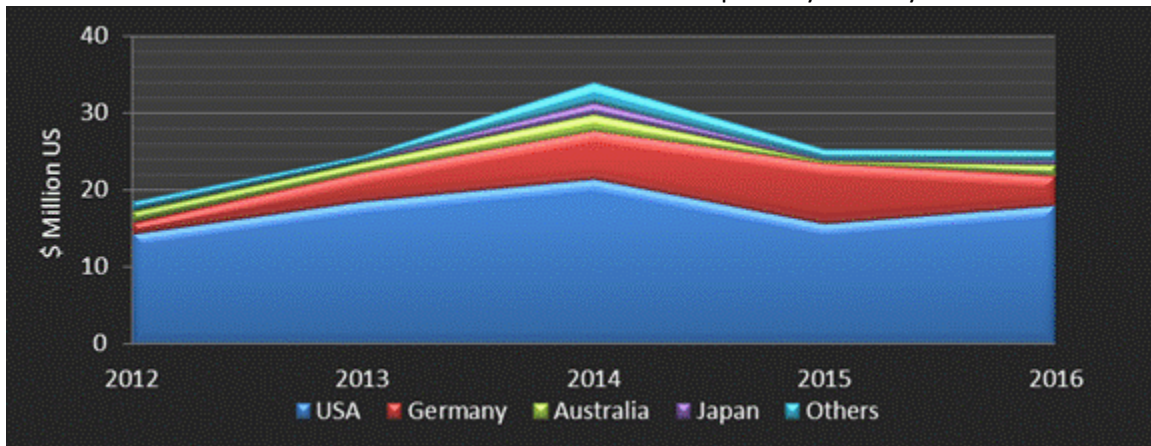
Chart 2: Breakdown of Korea's Horse Imports by HSK Classification\*



\*Note: Harmonized Tariff Codes of South Korea (HSK) provides classifications for imported horses as follows.

- (1) Pure-bred breeding horses for farm breeding: HSK 0101211000
- (2) Pure-bred breeding horses for other: HSK 0101219000
- (3) Horses for racing: HSK 0101291000
- (4) Other Horses: HSK 0101299000

Chart 3: Breakdown of Korea's Horse Imports by Country



The Korean horse market has long been driven by the thoroughbred horse racing industry, which is administered by the Korea Racing Authority (KRA), a quasi-government agency under the Ministry of Agriculture, Food and Rural Affairs (MAFRA). KRA maintains a very stable business as its thoroughbred races generate about \$7 billion dollars of betting revenue each year. Because of the high return on investment, KRA and the local thoroughbred horse industry have been willingly making investments to upgrade local race quality, particularly by importing quality genetics from foreign countries. In addition, KRA has implemented a series of reforms in its regulations to further develop local races and the industry. Key KRA reforms in recent years included abolishment of a ceiling purchase price set for imported horses, expansion of races that allow direct competition between locally-bred horses and imported horses, and creation of high-profile international races in Korea (the Korea Cup and the Korea Sprint). Some of these reforms were critical for Korea in getting an upgrade to Part II Group from the international thoroughbred race organization in 2016. The United States is firmly recognized among the stakeholders of the Korean thoroughbred racing industry as the leading supplier of quality genetics, including racehorses, yearlings, breeding mares, and stud stallions.

The Korean government also offers financial and regulatory support to develop the local horse industry under the 'Horse Industry Development Act' enacted in 2011. It is notable that the Korean government recognizes the horse industry as a key source for new jobs and income for the local agricultural sector. In particular, one prong of the government plan under the Act is to foster expansion of the recreational horseback riding industry, such as trail riding and therapeutic riding. The Korean recreational horseback riding industry has long been led by dressage riding and as a result European suppliers continue to present tough competition to American suppliers for premium warmblood horses. However, emerging demand for value horses for recreational horseback riding should offer new niche export opportunities for American horses such as quarter horses and paint horses.

Table 1: Advantages & Challenges of the Korean Horse Market

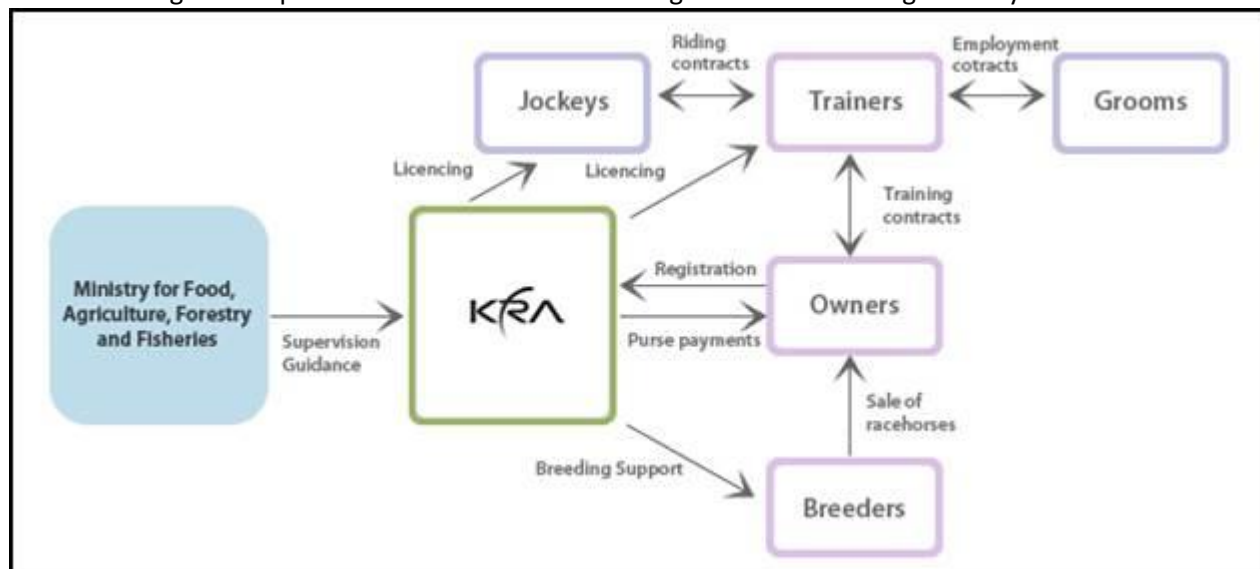
Advantages	Challenges
The Korean thoroughbred horse racing industry is committed to making additional investments and reforms to upgrade its race quality.	Local Korean breeders are making dedicated efforts to produce better quality horses that can compete against imported horses. As a result, the quality of locally-bred horses continues to improve.
American horses maintain a high quality reputation among Korean breeders and racehorse owners based on outstanding results in KRA races.	Many Korean horse buyers have a limited understanding of the American horse industry and supply chain. As a result, they rely heavily on intermediary brokers and middleman distributors.

The Korea-U.S. Free Trade Agreement has removed import tariffs on American horses.	It takes a high amount of resources to ship horses to Korea. Imported horses are subject to strict quarantine documentation and health inspection requirements to enter Korea.
The Korean government maintains a policy initiative to support further development of the local horse industry, including recreational horseback riding targeting the general public.	European suppliers are leading the market for premium dressage/recreational riding horses. Korean breeders and riders have yet to develop an understanding and interest in Western riding.

## Section II. Market Sector Opportunities and Challenges

### 1. Thoroughbred Horse Racing Industry

Figure 1: Operation Structure of the Thoroughbred Horse Racing Industry in Korea



Source: Korea Racing Authority (KRA), [www.kra.co.kr](http://www.kra.co.kr)

The Korea Racing Authority (KRA) maintains exclusive authority to administer horse races and related industry regulations under the KRA Act implemented by the Korean government in 1962. KRA currently operates three racetracks in Korea: Seoul racetrack (located in Gwachun city), Busan racetrack (Gyeongnam province), and Jeju racetrack (an island to the south of the mainland). The Seoul and Busan racetracks are exclusively for thoroughbred horse races. The Jeju racetrack is only for races of local Korean pony breed (“Jeju Jo-Rang-Mal”) and a cross breed between the local ponies and thoroughbred horses (“Jeju Han-Ra-Ma”). A new thoroughbred racetrack was approved for construction in Youngchun city (Gyeongbuk province) in 2010 but the project has met a serious delay (the land is secured but construction has yet to start). The Youngchun racetrack (1,480,000 m<sup>2</sup> of space) targets to accommodate a similar volume of thoroughbred horse races as the Busan racetrack. Therefore, the Youngchun racetrack is forecast to generate additional demand for about 900 racehorses upon opening.

KRA generated 7.8 trillion won (about \$7 billion, \$1 = 1,150 won) of betting revenue in 2016, up 1 percent from the previous year. KRA has seen a stagnant growth of consumer traffic and betting revenue in recent years. To

expand consumer traffic, KRA maintains strong efforts to reach out to the general public via various social and cultural projects. In addition to betting at site, KRA now also operates mobile, on-line betting system based on real-time telecasting of its races (no other entities are allowed to administer gambling on horse races by law).

KRA thoroughbred horse races operate on a six tier system (C1 to C6) to promote quality races. Horses have to earn higher ratings to move up the tiers for bigger prize money. Additionally, top tier horses are admitted to 'Grand Prix' races (G1, G2, G3, and L) and 'Special' races. KRA has also been implementing a binary race system in that races are separated for locally-bred horses and imported horses. However, under the initiative of promoting quality races, KRA has been expanding mixed races that are run by both local and imported horses. In particular, most of the top tier (C1 and C2) and Grand Prix races are now mixed races.

Table 2: Summary of KRA Racetrack Operation

Racetrack	Operation	2014	2016
Seoul Racetrack 1,150,000 m <sup>2</sup> 77,000 Seats Opened in 1989	Total Days of Race	96	98
	Total Number of Races	1,087	1,110
	Total Number of Spectators	15.9 million	12.3 million
	Total Betting Money Revenue	4.8 trillion won*	4.2 trillion won
Busan Racetrack 1,240,000 m <sup>2</sup> 30,000 Seats Opened in 2005	Total Days of Race	94	98
	Total Number of Races	786	807
	Total Number of Spectators	1.1 million	1.0 million
	Total Betting Money Revenue	2.3 trillion won	2.4 trillion won
Jeju Racetrack* 2,175,000 m <sup>2</sup> 6,393 Seats Opened in 1990	Total Days of Race	96	95
	Total Number of Races	863	840
	Total Number of Spectators	0.5 million	0.6 million
	Total Betting Money Revenue	1.0 trillion won	1.2 trillion won

Source: [www.kra.co.kr](http://www.kra.co.kr)

\*Note: \$1 = 1,150 won as of October 2017

Table 3: Breakdown of Thoroughbred Horse Races in KRA Racetracks (2017)

Category	Racetrack	Grand Prix/Special	C1	C2	C3	C4	C5	C6	Sub-total
Locally-bred Horse Races	Seoul	17	0	0	70	130	251	279	747
	Busan	7	0	0	56	99	176	195	533
Mixed Races	Seoul	14	53	85	73	122	0	0	347
	Busan	5	42	63	54	108	0	0	272
Total		43	95	148	253	459	427	474	1,899

Source: [www.kra.co.kr](http://www.kra.co.kr)

Only registered racehorse owners are allowed to participate in KRA races. KRA maintains a ceiling for the number of registered racehorse owners per each racetrack. Candidates must meet strict qualifications required by KRA when applying for vacancies. There are a total of 729 thoroughbred racehorse owners registered under the Seoul and Busan racetracks. Each racehorse owner enters three horses in KRA races on average but needs to maintain additional reserve horses for potential injuries or early retirement. Racehorse owners introduce about 1,000 – 1,300 new thoroughbred race horses each year to the Seoul and Busan racetracks. Imports supply about 25 percent of the new racehorses (250 to 350 horses), while the remaining 75 percent is filled by locally-bred horses from some 200 registered thoroughbred horse breeding farms in Korea. About 150 of the

breeders are members of the Korea Thoroughbred Breeders Association (KTBA) located in Jeju Island, and the rest are members of the Korea Inland Breeders Association (KIBA) located in mainland Korea. Together, these local breeders raise about 3,000 young horses under training, 2,500 breeding mares, and 100 stud stallions. Some of the breeders are also registered racehorse owners.

Table 4: Number of Thoroughbred Racehorses under KRA Racetracks (2017)

Location	Seoul Racetrack			Busan Racetrack			Total		
	475 Racehorse Owners			254 Racehorse Owners			729 Racehorse Owners		
Origin	Locally-bred	Imported	Total	Locally-bred	Imported	Total	Locally-bred	Imported	Total
New Horses	490	160	650	350	120	470	840	280	1,120
Total Horses	1,100	320	1,420	700	280	980	1,800	600	2,400

The breeding farms additionally import 150 to 250 breeding mares (mostly pregnant) each year to further develop their breeds. Foals born in Korea from the imported pregnant mares are recognized as locally-bred horses and can join KRA’s domestic horse races. Therefore, breeding farms prefer pregnant mares.

KRA operates stud farms in two locations (Jeju island and Jangsoo inland) and provides stud services to local breeding farms at below cost. For the stud farm program, KRA imports and maintains a herd of top quality stallions. Some of the large-scale local breeders have also established private stud service businesses either individually or as a group. American stallions have shown outstanding performance in Korea over the years as indicated by the fact that the top 10 sires of KRA races in 2016 were all American-origin stallions. KRA’s electronic Studbook (<http://studbook.kra.co.kr/eng/main.jsp>) provides detailed records on all thoroughbred horses in Korea dating back to 1993.

Table 5: Leading Sires of KRA Races by Purse Money Earnings (2016)

Rank	Horse Name (Origin)	Total Earnings	Runners	Winners
1	Menifee (USA)	7.9 billion won	147	59
2	Forest Camp (USA)	4.2 billion won	126	48
3	Ecton Park	4.2 billion won	93	41
4	Vicar (USA)*	3.6 billion won	84	44
5	Pistols (USA)	3.4 billion won	98	34
6	Colors Flying (USA)	3.4 billion won	94	38
7	Officer (USA)	3.2 billion won	98	49
8	Didyme (USA)**	3.2 billion won	69	34
9	Sharp Humor (USA)***	2.8 billion won	80	38
10	Exploit (USA)	4.0 billion won	99	44

Source: <http://studbook.kra.co.kr>

\*Note: Died in Jan. 2016 / \*\*Note: Died in Dec. 2016 / \*\*\*Note: Died in Mar. 2015

The United States currently remains the leading supplier of imported thoroughbred horses to Korea for both breeding horses (mares) and racehorses. Korean buyers in general recognize the United States as the leading supplier of top quality and value thoroughbred genetics in the world. The abolition of a ceiling purchase price set for imported racehorses in 2017 is likely to increase demand for higher quality American racehorses down

the road (the ceiling had been increased a few times from \$20,000 in 2011 to \$50,000 per head until the abolition). The bilateral quarantine agreement established between Korea and the United States in 2017 allows American racehorses to travel to Korea and participate in international races organized by KRA and visa-versa. This agreement allows American suppliers to further promote the quality and value of their genetics to Korean buyers. That said, competitors, in particular Australia, EU countries, and Japan, are also targeting Korea as their top priority export market for thoroughbred genetics. Local Korean breeders have also been improving their genetics significantly over the years and are likely to present increased competition to American suppliers down the road.

Chart 4: Breakdown of Korea’s Imports of Thoroughbred Horses for Breeding Uses

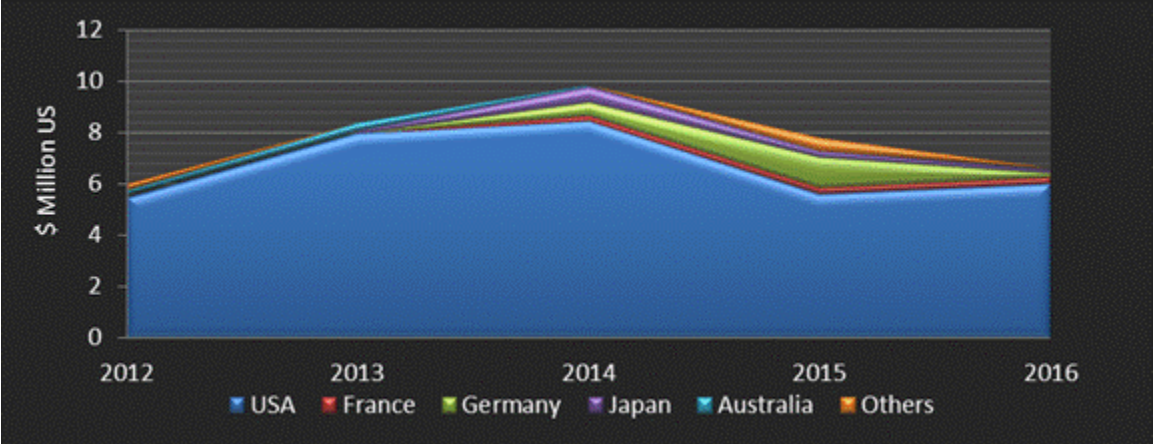
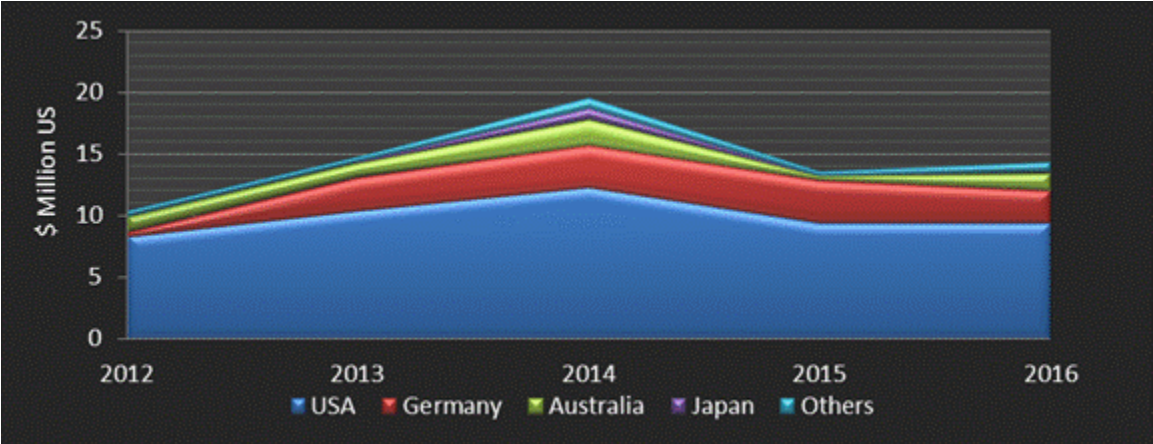


Chart 5: Breakdown of Korea’s Imports of Thoroughbred Horses for Racing Uses



**2. Recreational Horseback Riding Industry**

According to Korean government statistics, there were 27,116 horses of all breeds raised in 1,914 breeding farms in Korea as of 2016. Thoroughbred horses accounted for 45 percent of the horses in the country while the rest were mostly native ponies or hybrid breeds. Jeju Island, which had been the center of the Korean horse industry since the 13<sup>th</sup> century for its favorable breeding climate, accounted for over 56 percent of the total horse population in Korea.

Table 6: Horse Population in Korea



Year	Number of Horse Breeding Farms	Total Number of Horses	Thoroughbred Horses	Warm Blood Horses
2005	965	20,157	8,242	N/A
2007	1,291	24,669	8,062	N/A
2009	1,742	28,247	8,242	N/A
2016	1,914	27,116	12,202	706

Source: Korea Horse Industry Statistics by the Ministry of Agriculture, Food and Rural Affairs (MAFRA), <http://kosis.kr>

Among the breeding farms, 479 were also operating recreational horseback riding businesses, serving 47,000 regular riders in the country. Additionally, there were over 800,000 Koreans who experienced horseback riding, including 18,000 who took a therapeutic ride.

Due to an urbanized lifestyle and a metropolitan living environment, the general Korean public has limited access to recreational horseback riding. As a result, recreational horseback riding is enjoyed by a relatively small group of the Korean population today. At the same time, the recreational horseback riding industry has been mainly led and influenced by European dressage riding as an elite sport. That said, there is a newly emerging momentum in the market to further develop the recreational horseback riding industry for the general public. In particular, the Horse Industry Development Act introduced by the Korean government in 2011 has offered outstanding financial and regulatory support for local provincial governments to invest and develop needed foundations for recreational horseback riding such as construction of public riding trails and introduction of new horse breeds. For example, the Gyeongbuk provincial government has supported its horse breeders in importing some 200 American quarter horses over the last four years to develop the genetic foundation to build a local recreational horseback riding industry.

Table 7: Policy Goals of the Korea Horse Industry Development Act

Initiative	2011	Five Year Goal
Total Number of Horses of All Breeds	30,400	50,000
Regular Equestrian Sport Riders	25,000	50,000
Number of Sport Riding Farms/Centers	300	500
People Experiencing Equestrian Activities	630,000 per year	1.5 million per year
Equestrian Professionals	250	1,100
New Jobs in Equestrian Industry	N/A	10,000

Source: Ministry of Agriculture, Food and Rural Affairs (MAFRA)

EU countries have been the leading supplier of imported horses to the Korean recreational horseback riding industry over the years due to their strong heritage in dressage riding. Although the United States saw a significant growth in its shipment of horses to the Korean recreational horseback riding industry in recent years due to the American quarter horse project supported by Gyeongbuk province, EU countries are likely to present tough competition to American suppliers for premium quality horses (mostly warmbloods) needed in the Korean recreational horseback riding industry. Korean horse breeders and riders lack an understanding, experience, and skills about Western riding. The key to long-term success of American suppliers for quarter horses or other breeds in the Korean recreational horseback riding industry will be developing an understanding and interest among the local breeders and riders in Western riding.

Chart 6: Breakdown of Korea's Imports of Horses for Recreational Riding Uses

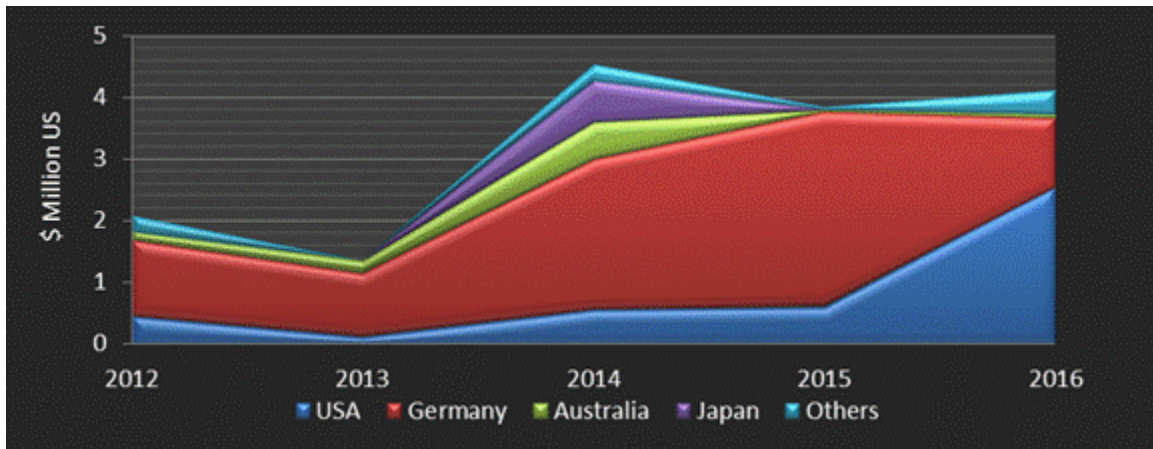


Figure 2: Photos of American Quarter Horses Imported into Gyeongbuk Province, Korea (2016)



### 3. Entry Strategy

Established thoroughbred auctions in the United States are the major channel that Korean thoroughbred horse buyers use to purchase American horses. Auctions provide the buyers with an efficient venue to access a large number of candidate horses. Buyers usually attend the auction in a group together with a veterinary expert to inspect the horses on-site. Travel arrangement to auctions and bids (purchases) are normally conducted through intermediary brokers (based in Korea) who also provide the buyers with consolidated logistic services including credit finance, health inspection, documentation, insurance, air-shipping to Korea, customs clearance, and local delivery at a pre-agreed fee. On fewer occasions such as for high value stud stallions and racehorses, buyers may purchase directly from American breeding farms with the assistance of intermediary brokers.

Keeneland Sales in Kentucky ([www.keeneland.com](http://www.keeneland.com)) has become the leading horse auction in the United States that draws buyers from Korea as it offers the largest number of horses of different categories for sale. Ocala Sales in Florida also remains a key auction to Korean buyers for good value racehorses and yearlings. Fasig-Tipton Sales in Maryland also draws some Korean buyers for yearlings.

Table 8: Leading American Horse Auctions for Korean Buyers

Auction	Season	Korean Buyer's Major Interest
Keeneland Sales, Kentucky	January, April, August, November	Stallion, Racehorse, Yearling, Pregnant mares

Ocala Sales, Florida	April, October	Racehorse, Yearling
Fasig-Tipton Sales, Maryland	May	Yearling

Established intermediary brokers who maintain close contacts with key Korean buyers (racehorse owners and breeders) should be the best source for information about planned purchases and visits to upcoming American auctions of the target buyers. These brokers should also be a good source for up-to-date information on regulatory issues such as quarantine health inspection and documentation requirements of the Korean government.

## Section III. Market Access

### 1. Tariffs and Taxes

Imported horses are currently subject to an 8 percent base import tariff calculated on the CIF (Cost, Insurance and Freight) import value. Additionally, a 10 percent value added tax (VAT) is imposed on the CIF value of imported horses.

With approval from the competent Korean government agencies, horses imported by breeding farms and equestrian sport horses for designated Korean national team members are exempted from the import tariff.

The Korea-U.S. Free Trade Agreement (KORUS FTA), implemented in 2012, has removed the 8 percent import tariff on all American horses. Both EU countries and Australia have Free Trade Agreement with Korea and their horses are also entering Korea duty free. Among major competitors, Japan has yet to establish a bilateral trade agreement with Korea to lower the import tariff.

### 2. Health Requirements for Imported Horses

Imported horses must meet the Korean government's strict quarantine health requirements to enter the market. It usually takes a month for the imported horses to go through quarantine health inspections by the Korean authority upon arrival in Korea. Failure to satisfy the requirements may result in rejection or elimination of the animal at the cost of the supplier.

American horse suppliers must check the current quarantine health requirements of Korea by contacting the Animal & Plant Health Inspection Service (APHIS).

Links to APHIS Area Offices:

<https://www.aphis.usda.gov/aphis/ourfocus/animalhealth/contact-us>

Links to Korea's Import Health Requirements for Horses:

[https://www.aphis.usda.gov/aphis/ourfocus/animalhealth/export/international-standard-setting-activities-oi/sa\\_by\\_country/sa\\_k/ct\\_animal\\_korea](https://www.aphis.usda.gov/aphis/ourfocus/animalhealth/export/international-standard-setting-activities-oi/sa_by_country/sa_k/ct_animal_korea)

[https://www.aphis.usda.gov/regulations/vs/iregs/animals/downloads/ko\\_ihrs\\_revised\\_MAFRA-11\\_2015.pdf](https://www.aphis.usda.gov/regulations/vs/iregs/animals/downloads/ko_ihrs_revised_MAFRA-11_2015.pdf)

## Section VI. Key Contacts and Further Information

(1) For information about the Korean agricultural market and regulations, please contact:

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

Telephone: +82-2 6951-6848 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

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

Telephone: +82-2 397-4297 Fax: +82-2 738-7147

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

(2) For further information about sanitary/export certificate requirements, please contact:

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

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

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

Telephone: +82-2 725-5495 Fax: +82-2 725-5496

E-mail: [yunhee.kim@aphis.usda.gov](mailto:yunhee.kim@aphis.usda.gov)

Internet Homepage: [www.aphis.usda.gov](http://www.aphis.usda.gov)

(3) For information about export assistance programs offered by the U.S. Livestock Genetics Export, Inc., please contact:

The U.S. Livestock Genetics Export, Inc. (USLGE)

Address: 522 Springdale St., Suite 102, Mount Horeb, WI 53572

Telephone: 608-437-2020 Fax: 888-538-6596

Internet Homepage: [www.uslge.org](http://www.uslge.org)