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Annual

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Report Highlights:
Korean seafood imports from all origins increased to $2.77 billion in 2006, up 16 percent from $2.38 billion in 2005. In 2006, Korea was the third largest market for U.S. fishery products. In 2007, total imports of seafood are expected to increase by about 10 percent to $3 billion. The Korea-U.S. Free Trade Agreement concluded in April 2007 is expected to create more opportunities for U.S. seafood exporters. It must be ratified by the National Assembly of Korea and the U.S. Congress before it is implemented.

Includes PSD Changes: No
Includes Trade Matrix: Yes
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[KS]

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SECTION I: SITUATION AND OUTLOOK

Korea was the world's 11th largest economy in 2006[1] with a GDP of $1.196 trillion on a purchasing power parity (PPP) basis. Per capita GDP (PPP) in Korea was $24,500 in 2006. South Korea's central bank forecast 2007 economic growth at 4.5 percent. GDP growth in 2008 is projected at 5 percent.

Seafood imports from all origins increased to $2.77 billion in 2006, up 16 percent from $2.38 billion 2005. In 2006, Korea was the third largest market for U.S. fishery products. Imports from the United States amounted to $151 million (63,000 MT) in 2006, providing the United States with a 5.4 percent market share. In 2007, total imports of seafood are expected to increase by about 10 percent to $3 billion.

Korea exported $1.09 billion in seafood in 2006. Until only six years ago, Korea exported more seafood than it imported. However, growing domestic demand and reduced supplies have reversed the situation. Korea currently imports $1.7 billion more seafood than it exports. Imports are expected to continue to outpace exports ensuring that Korea will remain an important market for U.S. seafood suppliers.

U.S. seafood is generally considered high quality, but higher in price compared to competitors. Surimi, monkfish, fish roes, cod, hagfish, flat fish, skate, ray, Atka mackerel, rock fish and Alaska pollack are some of the major species that are imported in larger quantities than other species to Korea from the United States.

Korean seafood production increased to 3.03 million metric tons in 2006, up 12 percent from 2.71 million metric tons in 2005 mainly thanks to advances in shallow-sea aquaculture. Production of shallow-sea aquaculture increased to 1,259,000 tons in 2006 from 1,041,000 tons in 2005, accounting for the majority of the growth. Seaweed and shell fish accounted for 92 percent, fishes accounted for 7 percent and crustaceans and others accounted for one percent of production within the shallow-sea aquaculture sector. In 2006, Korean fish production slightly decreased to 1,261,000 tons from 1,265,000 tons.

It is expected that Korean domestic fish production will not increase in the future due to reductions in fish resources in adjacent waters and the enforcement of Exclusive Economic Zones by Korea's neighboring countries. The number of fishing vessels has decreased continuously over the past 5 years reflecting the reduction in fish resources. To cope with this situation, the Korean government has accelerated the downsizing of the Korean fishing fleet and plans to reduce it further over the next several years. Recognizing the potential economic impact of this step and the reduction in fishery agreements, the Korean government is undertaking an in-depth study of aquaculture and researching how to secure higher fish catch quotas in foreign waters.

The Korea-U.S. Free Trade Agreement (KORUS FTA) concluded in early April 2007 is expected to deepen the longstanding alliance between the United States and Korea. With respect to seafood, the KORUS FTA is expected to create more opportunities for U.S. exporters. The KORUS FTA is currently pending in the National Assembly of Korea and the U.S. Congress; it must be ratified by both before it is implemented.

SECTION II: STATISTICAL TABLES

[1] Source: World Fact book

1. Trade Statistics of Fish, Urchin Roe / Caviar and Livers

Import Trade Matrix			
Country	Korea, Republic of		
Commodi	Fish,Urchin Roe/Caviar,Li		
Time Period	Jan/Dec	Units:	MT
Imports for:	2005		2006
U.S.	3,150	U.S.	5,572
Others		Others	
Russia	6,383	Russia	10,618
China	4,053	China	3,174
New Zealand	935	Iceland	1,471
Iceland	821	New Zelaand	961
Taiwan	322	Peru	946
Japan	297	Thailand	385
Total for Others	12811		17555
Others not List	1,499		1,420
Grand Total	17460		24547

Export Trade Matrix			
Country	Korea, Republic of		
Commodi	Fish,Urchin Roe/Caviar,Li		
Time Period	Jan/Dec	Units:	MT
Exports for:	2005		2006
U.S.	90	U.S.	184
Others		Others	
Japan	3,806	Japan	3,399
China	832	China	367
Total for Others	4638		3766
Others not List	158		238
Grand Total	4886		4188

Table 1: Korean Production of Fish Roes, Urchin (Metric Tons)

Items	2001	2002	2003	2004	2005	2006

Roes of Alaska Pollack (from distant seas)	2,197	2,361	3,093	2,315	1,544	2,709
Herring Roes	0	0	0	0	0	0
Sea Urchin	92	71	59	126	61	88
Total	2,289	2,432	3,152	2,441	1,605	2,797

Source: Statistical Yearbook of Ministry of Maritime Affairs and Fisheries 2007

Table 2: Korean Imports of Fish and Urchin Roes/Caviar/Liver (Metric Tons)

Species	H.S. Code	2005		2006	
		World	U.S.	World	U.S.
Livers, Fresh	0302.70.1000	2	2	5	1
Roes, fresh	0302.70.2000	0	0	0	0
Livers, frozen	0303.80.1000	69	2	280	0
Roes/AK Pollack, frozen	0303.80.2010	4,165	1,148	7,557	1,858
Other Roes, Frozen	0303.80.2090	7,474	1,994	11,594	3,709
Livers, dried, salted	0305.20.1000	0	0	0	0
Roes, dried	0305.20.2000	57	0	3	0
Roes, smoked	0305.20.3000	0	0	0	0
Roes/Alaska Pollack	0305.20.4010	5	0	14	0
Roes/Yellow Corvina	0305.20.4020	0	0	0	0
Roes/Herrings, Dried	0305.20.4030	77	0	15	0
Other roes, Salted	0305.20.4090	33	0	84	0
Sea Urchin, Fresh	0307.91.9010	1	0	4	0
Caviar	1604.30.1000	3	0	17	0
Caviar, Substitute	1604.30.2000	5,570	4	4,974	4
Total		17,456	3,150	24,547	5,572

Source: Statistical Yearbook of Foreign Trade 2006, Korea Customs Service

Table 3: Korean Exports of Fish and Urchin Roe/Caviar/Liver (Metric Tons)

Species	H.S. Code	2005		2006	
		World	U.S.	World	U.S.
Livers, Fresh	0302.70.1000	0	0	0	0
Roes, Fresh	0302.70.2000	0	0	0	0
Livers, Frozen	0303.80.1000	0	0	13	0
Roes/AK Pollack, frozen	0303.80.2010	647	1	283	17
Other Roes, frozen	0303.80.2090	251	5	737	6
Livers, dried, salted	0305.20.1000	2	0	0	0

Roes, dried	0305.20.2000	1	0	0	0
Roes, smoked	0305.20.3000	0	0	0	0
Roes/pollack, salted	0305.20.4010	60	33	95	90
Roes/Yellow Corniva, salted	0305.20.4020	0	0	0	0
Roes/Herrings, Dried	0305.20.4030	0	0	0	0
Other roes, Salted	0305.20.4090	47	5	69	38
Sea Urchin, Fresh	0307.91.9010	28	0	24	0
Caviar	1604.30.1000	0	0	0	0
Caviar, Substitute	1604.30.2000	3,760	46	2,897	33
Total		4,796	90	4,118	184

Source: Statistical Yearbook of Foreign Trade 2006, Korea Customs Service

2. Trade Statistics of Flatfish, Whole

Import Trade Matrix			
Country	Korea, Republic of		
Commodi	Flatfish, Whole/Eviscerate		
Time Period	Jan/Dec	Units:	MT
Imports for:	2005		**2006**
U.S.	3,198	U.S.	7,694
Others		Others	
Russia	6,209	Russia	7,910
China	3,017	China	2,757
Spain	2,257	Spain	1,263
Senegal	874	Guinea	921
Guinea	727	Senegal	642
Total for Others	13084		13493
Others not List	2,271		1,345
Grand Total	18553		22532

Export Trade Matrix			
Country	Korea, Republic of		
Commodi	Flatfish, Whole/Eviscerate		
Time Period	Jan/Dec	Units:	MT
Exports for:	2005		2006
U.S.	182	U.S.	133
Others		Others	
Japan	5,746	China	4,390
China	1,836	Japan	3,764
Spain	203	Spain	234
Total for Others	7785		8388
Others not List	328		230
Grand Total	8295		8751

Table 4: Korean Flatfish Production (Metric Tons)

Fishing Type	2000	2001	2002	2003	2004	2005	2006
On and Off-Shore	17,030	16,210	15,638	14,908	13,775	17,431	22,177
Deep-Sea	258	33	32	258	279	76	2
Aquaculture	14,127	16,426	23,343	34,533	32,141	40,075	43,852
Total	31,415	32,669	39,013	49,699	46,195	57,582	66,031

Source: Statistical Yearbook of Ministry of Maritime Affairs and Fisheries 2007

Table 5: Korean Imports of Flatfish (Metric Tons)

Species	H.S. Code	2005		2006	
		World	U.S.	World	U.S.
Flat Fish, Live	0301.99.8000	841	0	23	0
Halibut, Fresh	0302.21.0000	0	0	0	0
Plaice, Fresh	0302.22.0000	42	0	39	0
Sole, Fresh	0302.23.0000	56	0	41	0
Other, Fresh	0302.29.0000	118	0	60	0

Halibut, Frozen	0303.31.0000	255	0	102	0
Plaice, Frozen	0303.32.0000	1,055	442	1,440	448
Sole, Frozen	0303.33.0000	1,309	0	1,357	0
Others, Frozen	0303.39.0000	14,877	2,756	19,470	7,246
Total		18,553	3,198	22,532	7,694

Source: Statistical Yearbook of Ministry of Foreign Trade 2006

Table 6: Korean Exports of Flatfish (Metric Tons)

Species	H.S. Code	2005		2006	
		World	U.S.	World	U.S.
Flat Fish, Live	0301.99.8000	5,574	2	3,778	32
Halibut, Fresh	0302.21.0000	1	0	0	0
Plaice , Fresh	0302.22.0000	3	0	13	2
Sole, Fresh	0302.23.0000	0	0	0	0
Other, Fresh	0302.29.0000	8	0	7	5
Halibut, Frozen	0303.31.0000	227	178	77	67
Plaice, Frozen	0303.32.0000	53	0	22	0
Sole, Frozen	0303.33.0000	233	0	368	0
Others, Frozen	0303.39.0000	2,196	2	4,486	27
Total		8,295	182	8,751	133

Source: Statistical Yearbook of Foreign Trade 2006, Korea Customs Service

3. Statistics of Groundfish, Whole

Import Trade Matrix			
Country	Korea, Republic of		
Commodi	Groundfish, Whole/Evisce		
Time Period	Jan/Dec	Units:	MT
Imports for:	2005		2006
U.S.	6,074	U.S.	5,019
Others		Others	
Russia	179,962	Russia	155,009
Japan	8,485	Japan	29,044
China	7,462	China	6,831
Netherlands	3,433	Portugal	2,146
Portugal	1,768		
Total for Others	201110		193030
Others not List	1,818		2,553
Grand Total	209002		200602

Export Trade Matrix			
Country	Korea, Republic of		
Commodi	Groundfish, Whole/Evisce		
Time Period	Jan/Dec	Units:	MT
Exports for:	2005		2006
U.S.	92	U.S.	110
Others		Others	
China	11,877	China	7,019
New Zealand	2,222	New Zealand	2,274
Russia	795	Russia	677
Japan	119	Spain	303
Total for Others	15013		10273
Others not List	139		629
Grand Total	15244		11012

Table 7: Korean Ground fish Production (Metric Tons)

Year	Deep-Sea	On/Off Shore	Total
1998	238,402	7,737	246,139

1999	155,269	5,660	160,929
2000	97,957	12,225	110,182
2001	213,056	6,496	219,552
2002	34,593	4,430	39,023
2003	28,464	5,786	34,250
2004	28,064	4,593	32,657
2005	34,321	11,252	45,573
2006	33,388	20,743	54,131

Source: Statistical Yearbook of Ministry of Maritime Affairs and Fisheries 2007

Table 8: Korean Import of Ground fish (Metric Tons)

Species	H.S. Code	2005		2006	
		World	U.S.	World	U.S.
Cod, Fresh	0302.50.0000	2,566	21	2,686	6
Alaska Pollack, Fresh	0302.69.1000	17,982	0	19,518	0
Cod, Frozen	0303.60.0000	12,984	3,173	9,399	2,307
Hake, Frozen	0303.78.0000	3,862	0	229	162
Alaska Pollack	0303.79.1000	163,594	2,134	158,105	1,037
Rockfish(ocean perch)	0303.79.9070	5,638	746	7,991	1,507
Alaska Pollack, Dried	0305.59.3000	2,376	0	2,674	0
Total		209,002	6,074	200,602	5,019

Source: Statistical Yearbook of Foreign Trade 2006, Korea Customs Service

Table 9: Korean Export of Ground Fish (Metric Tons)

Species	H.S. Code	2005		2006	
		World	U.S.	World	U.S.
Cod, Fresh	0302.50.0000	0	0	0	0
Alaska Pollack, Fresh	0302.69.1000	9	9	18	17

Cod, Frozen	0303.60.0000	3,730	0	1,924	4
Hake, Frozen	0303.78.0000	4,371	0	3,454	0
Alaska Pollack	0303.79.1000	6,652	37	5,179	36
Rockfish (ocean perch)	0303.79.9070	264	0	278	21
Alaska Pollack, Dried	0305.59.3000	218	46	159	32
Total		15,244	92	11,012	110

Source: Statistical Yearbook of Foreign Trade 2006

4. Statistics of Surimi

Import Trade Matrix			
Country	Korea, Republic of		
Commodi	Surimi		
Time Period	Jan/Dec	Units:	MT
Imports for:	2005		**2006**
U.S.	31,660	U.S.	23,046
Others		Others	
China	28,413	China	34,153
Vietnam	27,445	Vietnam	30,024
Thailand	11,941	Thailand	10,715
Malaysia	3,352	India	4,785
India	2,742	Malaysia	2,415
Indoneisia	1,332	Indoneisia	1,852
Total for Others	75225		83944
Others not List	2,619		1,282
Grand Total	109504		108272

Export Trade Matrix			
Country	Korea, Republic of		
Commodi	Surimi		
Time Period	Jan/Dec	Units:	MT
Exports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Russia	96	Japan	51
Vietnam	59	India	23
Japan	37	Vietnam	19
Total for Others	192		93
Others not List	25		10
Grand Total	217		103

Table 10: Korean Surimi Production (Metric Tons)

Year	On / Off Shore	Deep-Sea	Total
1998	14,769	15,668	30,437
1999	14,693	18,303	32,996
2000	7,326	3,327	10,653
2001	5,095	0	5,095
2002	5,487	0	5,487
2003	4,442	0	4,442
2004	11,040	0	11,040
2005	5,848	0	5,848
2006	2,053	0	2,053

Source: Statistical Yearbook of Ministry of Maritime Affairs and Fisheries 2007

Table 11: Korean Import of Surimi (Metric Tons)

Species	H.S. Code	2005		2006	
		World	U.S.	World	U.S.
Alaska Pollack	0304.90.1010	26,975	26,745	21,233	21,008
Others	0304.90.1090	82,529	4,915	87,039	2,038
Total		109,504	31,660	108,272	23,046

Source: Statistical Yearbook of Foreign Trade 2006, Korea Customs Service

Table 12: Korean Export of Surimi (Metric Tons)

Species	H.S. Code	2005		2006	
		World	U.S.	World	U.S.
Alaska Pollack	0304.90.1010	73	0	9	0
Others	0304.90.1090	144	0	94	0
Total		217	0	103	0

Source: Statistical Yearbook of Foreign Trade 2006, Korea Customs Service

SECTION III: NARRATIVE ON SUPPLY AND DEMAND & MARKETING

Production

Korean seafood production was 3.03 million metric tons in 2006, a 12 percent increase from the previous year. This includes 1.1 million tons from adjacent waters fisheries, 1.3 million tons from shallow sea aquaculture, 639,000 tons from deep-sea fishing and 25,000 tons from fresh water fishing.

It is expected that Korean domestic fish production will not increase in the future due to reductions in fish resources in adjacent waters. The number of fishing vessels has decreased continuously over the past 5 years reflecting the reduction in fish resources. A growing number of Korean fishermen want to sell their boats and leave the sea as rising fuel prices and a chronic fish shortage squeeze their businesses. The Korean government plans to spend more than $400 million by 2010 in a buy-out program for more than 1,000 fishing boats, about 30 percent of the local fleet operating in coastal seas, in order to curb overfishing and keep the number of boats at manageable levels.

Production of aquaculture in the adjacent waters contributed strongly to an increase in total production in 2006 over 2005. This result is ascribed to the Korean government's strong policy to focus on aquaculture in shallow sea areas to cope with the shortage of fishery resources in the adjacent water and restrictions in neighboring countries' waters. Shallow sea aquaculture is expected to continue to increase in the future due to tighter restrictions on fresh water aquaculture and expectations of continuing reductions in the wild catches in the future.

To insulate select domestic seafood producers from imported product (mainly from China), the Korean government has set higher "adjustment tariffs" ranging from 22 to 57 percent for nine fish species which are not subject to tariff bindings under WTO agreements. Prior to implementation of the adjustment tariffs, imports of these nine species were subject to tariffs ranging from 10 to 20 percent. To further support the domestic industry, the Korea

government is focusing on aquaculture in shallow waters to secure a stable supply of fish and working hard to purchase fish quotas from other countries, including Russia.

Korea and China reached an agreement on the fishing quota for 2007, which allows Korean vessels to catch 68,000 tons, the same as last year, inside China's EEZ and in return, Chinese vessels can catch 71,930 tons in the Korean zone. The Ministry of Maritime Affairs and Fisheries (MOMAF) established 381,930 tons as the Total Allowable Catch (TAC) for 2007 for the ten species. There are further restrictions such as limited catch seasons for some species as well as restrictions on the number of fishing boats and fishing methods.

The total catch quota for all types of fish purchased by the Korean government from the Russian government in 2007 was 34,115 tons. The 2007 catch quotas with Russia include 20,500 tons for Alaska pollack, 2,650 tons for cod, 2,500 tons for saury, 7,000 tons for squid, 800 tons for sting ray, 250 tons for herring, 115 tons for blow fish and 300 tons for plaice. The fish caught under the catch quotas are considered to be domestic product and are not subject to import tariffs since they are caught by Korean fishing boats.

Constraints built into bilateral and multilateral fishing accords will further impact total harvest. The harvest from adjacent waters fisheries consists primarily of squid, mackerel, corvina, hair tail and anchovy. Government efforts to boost aquaculture production in the shallow sea areas clearly indicate the importance of this sector as a future seafood resource.

Table 13: Korean Seafood Production by Year

Year	Volume (tons)
1997	3,243,725
1998	2,835,015
1999	2,910,450
2000	2,514,225
2001	2,665,123
2002	2,476,188
2003	2,487,042
2004	2,519,101
2005	2,714,050
2006	3,032,116

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2007

Table 14: Korean Seafood Production by Group of Species: 2006 (MT)

Types of Seafood	On/off Shore	Shallow Sea Aquaculture	Deep-Sea	Fresh Water	Total
Fish	715,048	91,123	433,122	21,395	1,260,688
Crustaceans	73,715	1,683	33,807	479	109,684
Mollusks	300,226	391,060	172,255	2,879	866,420
Seaweed & others	19,826	775,408	0	90	975,324
Total	1,108,815	1,259,274	639,184	24,843	3,032,116

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2007

Table 15: Korean Production of Processed Seafood Products by Group (M/T)

Product	2003	2004	2005	2006
Dried/Salted/Cooked	26,724	52,353	58,343	69,259
Preserved/Pickled	37,381	34,626	43,534	42,998
Canned	80,608	159,638	138,585	149,487
Frozen	1,030,184	1,053,077	1,023,801	1,033,060
Dried Seaweed	28,511	71,265	153,597	135,668
Agar-Agar	347	458	443	329
Ground Fish Meat	91,121	96,581	88,290	69,350
Flavor Seasoned	21,501	22,486	19,759	19,500
Fish Meal and Oil	13,924	8,797	11,739	7,618
Others	27,416	29,514	21,830	19,515
Total	1,357,717	1,528,795	1,559,201	1,546,784

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2007

Table 16: Korean Production of Shallow-Sea Aquaculture (M/T)

Year	Total	Fishes	Crustacean	Shell Fishes	Other aquatic animals	Seaweeds
2001	655,827	29,297	2,081	217,078	33,833	373,538
2002	781,519	48,073	1,403	212,433	22,053	497,557
2003	826,245	72,393	2,324	291,063	8,411	452,054
2004	917,715	64,476	2,426	304,889	9,176	536,748
2005	1,041,074	81,437	1,399	326,255	10,827	621,156
2006	1,259,274	91,123	1,683	391,060	10,495	764,913

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2007

Table 17: Korean Production of Fresh Water Aquaculture by (M/T)

Year	Total	Fishes	Crustacean	Shell Fishes	Other aquatic animals
2001	12,170	11,678	30	358	104
2002	12,821	11,287	16	1,413	105
2003	12,600	12,895	16	551	138
2004	14,997	14,127	46	689	135
2005	16,339	15,726	35	483	95
2006	17,704	15,879	27	1,708	90

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2007

Table 18: Korean Fishing Fleet (Vessel, Gross/Tons)

2004		2005		2006	
Number	Capacity	Number	Capacity	Number	Capacity
91,608	724,979	90,735	700,810	86,113	673,719

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2007

Table 19: Korean Total Allowable Catch for 2007

Species	2004 (MT)	2005 (MT)	2006 (MT)	2007 (MT)
Mackerels	155,000	160,000	155,000	154,000
Jack mackerels	10,000	12,000	19,000	19,000
Sardines	5,000	5,000	5,000	5,000
Large red crabs	21,000	21,000	21,000	25,000
Large crabs	-	-	1,000	1,200
Purplish Washington clams	8,000	7,000	5,100	3,700
Pen shells	2,500	2,300	2,440	3,200
Top shells	2,158	1,683	1,610	1,480
Snow crabs	13,000	6,000	4,000	3,350
Squid	-	-	166,000	166,000
Total	217,650	215,983	380,150	381,930

Consumption

The "Monthly Statistics of Korea" (July 2007 Issue) shows that the average monthly household expenditure in urban areas on fishery products was $36 in 2006. The Korean Food Year Book 2007 reported that annual per capita seafood consumption in Korea was 48.1 Kg (fishery products and shellfish; 38.5 kg and seaweed; 9.6 kg) in 2005. The major fish species that Koreans consumed are Alaska Pollack, squid, mackerel, hair tail and yellow corvina. The success of Korean industry efforts to change consumer perception of fish (as a healthy alternative to red meat), to diversify fish products, to improve quality, and to develop processing technology will be key in expanding domestic demand.

Seafood family restaurants are getting popular in Korea thanks to increased income and improved standards of living. They are expanding their business due to good business environment. Todai, Seafood Ocean, Bono-Bono, Ocean Star and Muscus are some of the seafood family restaurants doing good business in Korea. These restaurants are using imported seafood as well as locally produced seafood.

Koreans prefer fish in this order: live fish, fresh fish and lastly, frozen fish. Some live fish is consumed raw (Hoi, or sashimi), and commands a price premium. Korean consumers assume fresh fish tastes better than frozen fish after cooking. Accordingly, the price for fresh fish is almost always substantially higher than for frozen fish.

As more and more women are working outside the home, the demand for convenience food has increased. Korean consumers are increasingly attracted to precooked, prepared and preserved food at supermarkets. Hotels generally use high quality seafood for which they

charge a higher price. However, the institutional food service industry generally uses cheap raw materials to reduce cost as much as possible to cope with the fierce competition in this sector.

The importance of food safety is magnified by the Korean media's propensity to sensationalize food-related news. Detection of disease in fishery products and/or chemical residues in aqua-cultured seafood is widely reported and generally results in a temporary drop in local seafood consumption. For example, reports that Malachite Green had been found in domestically produced fish in 2005 seriously reduced consumption of aqua-cultured Israel carp and trout in Korea.

Table 20: Korean Per Capita Supply of Seafood Products

	2000	2001	2002	2003	2004	2005
Fish and Shell fish	30.7	35.6	36.3	38.5	41.1	38.5
Seaweed	6.1	6.6	8.4	6.4	7.9	9.6
Total (kg/year)	36.8	42.2	44.7	44.9	49	48.1

Source: Food Distribution Year Book 2007

Trade

The Korea-U.S. Free Trade Agreement (KORUS FTA) concluded in early April 2007 is expected to deepen the longstanding alliance between the United States and Korea. With respect to seafood, the KORUS FTA is expected to create more opportunities for U.S. seafood exporters. The KORUS FTA is currently pending in the National Assembly of Korea and the U.S. Congress; it must be ratified by both before it is implemented. Customs duties for fishery products to be imported from the United States will be zero immediately or over the course of 3 to 10 years depending on the results of the FTA negotiations. For instance, the Customs duty for frozen Sockeye salmon will be zero immediately. In contrast, Customs duties for U.S. trout and sea bass will be reduced to zero in 3 and 10 years respectively. The Customs duty deduction schedule with time period will be prorated equally over each time period.

There will be three fish species which will be subject to Tariff Rate Quotas (TRQ) when the FTA is implemented. For instance, the Customs duty will be free for imports of 4,000 metric tons of frozen flatfish in the first year when the FTA is implemented. The quantities shall enter on a first-come, first-served basis. The duty free quantities will become larger as the year passes by as shown on the table below.

Post believes the KORUS FTA will provide good opportunities for U.S. fishery products when it is implemented. For more detailed information about the results of the KORUS FTA including the tariff schedule for Korea, go to:

http://www.ustr.gov/Trade_Agreements/Bilateral/Republic of_Korea_FTA/Final_Text/Secion_Index.html

The industry forecasts that Korean consumers will take advantage of lower prices resulting from elimination of import duties to demand more Pollack surimi/frozen, lobsters/live, Pollack/frozen, monkfish/frozen, cod/frozen, Pollack roes/frozen, skate/frozen, flatfish/frozen, sea cucumber/prepared and croakers/frozen.

Table 21: Korea-United States FTA Seafood Tariff Rate Quotas (Unit: Metric Tons)

Year	Flatfish/frozen	Alaska Pollack/frozen	Croaker/frozen

1	1,530	4,000	1,000
2	1,652	4,360	1,050
3	1,785	4,752	1,103
4	1,927	5,180	1,158
5	2,082	5,646	1,216
6	2,248	6,154	1,276
7	2,428	6,708	1,340
8	2,642	7,312	1,407
9	2,832	7,970	1,477
10	3,058	8,688	1,551
11	3,303	9,469	1,629
12	Unlimited	10,322	unlimited
13		11,251	
14		12,263	
15		unlimited	

Korean consumers place value on high quality, low cost, healthiness and convenience in the course of making food purchasing decisions. Overall performance of the Korean seafood market will depend greatly on production and consumption. Due to the depletion of fish resources, fish production is expected to decline. Despite this, consumption is expected to continue to grow as consumers look for healthier protein alternatives.

Price, quality and timeliness are the most important factors affecting U.S. trade. U.S. fish are generally considered to be high quality with, in turn, an expectation of higher prices. Fortunately, the major species imported from the United States are the species that Koreans enjoy and other suppliers do not supply in large quantities. Table 22 below shows the major species imported to Korea from the United States and the world. The imports of these 24 fish species accounted for about 90 percent of the total imports of fishery products from the United States in 2006.

Total imports of seafood into Korea in 2006 amounted to 1.38 million tons valued at $2.8 billion, the largest import value in history. The largest seafood supplying country in 2006 was China at $1,034 million, followed by Russia at $347 million, Japan at $224 million, Vietnam at $206 million, USA at $151 million, Thailand at $144 million, Taiwan at $86 million and Chile at $84 million. These eight countries accounted for 82 percent of Korea's total seafood imports in 2006.

Korea also exports a large volume of fish products. In 2006, 367,498 metric tons valued at $1.09 billion were exported, the smallest export volume in the historical database. The major species exported to other countries in 2006 were tuna ($228 million), seaweed ($62 million), oysters ($56 million), flat fish ($52 million), squid ($47 million), and caviar 9$44 million). The largest seafood export market for Korea in 2006 was Japan at $660 million, followed by USA at $96 million, China at $75 million, Thailand at $62 million, New Zealand at $39 million, Spain at $28 million, Taiwan at $18 million and Hong Kong at $13 million. These eight countries accounted for 91 percent of Korea's total seafood exports in 2006.

Table 22: Major Species of Fish Imported to Korea from USA in 2006($1000)

Fish Species	USA	Total
Pollack surimi, frozen	46,396	46,628
Monkfish, frozen	19,568	69,728
Roes of Pollack, frozen	10,090	51,882

Other roes, frozen	9,555	27,043
Other flat fish, frozen	9,551	28,995
Other surimi, frozen	4,438	90,314
Cod, frozen	3,960	14,016
Hagfish, frozen	3,873	9,511
Lobsters, other than frozen	3,754	18,799
Skate, frozen	3,139	2,547
Rock fish, frozen	2,993	15,179
Atka mackerel, frozen	2,919	19,783
Ray, frozen	2,782	16,377
Abductors of shell fish, frozen	1,429	5,731
Frozen fillet, Alaska Pollack	1,341	29,661
Prepared sea cucumber	1,279	2,417
Sable fish, frozen	1,208	1,645
Alaska Pollack, frozen	1,109	154,661
Sea cucumber, dried	861	923
Monkfish, fresh	815	2,334
Salad eel, live	813	5,586
Sardines, frozen	624	3,854
Plaice, frozen	581	1,732
Salmon, canned	512	538
Total	133,590	619,884

Source: Statistical Year Book of Foreign Trade 2006

Table 23: Applied Tariff Schedule for Fishery Products in Korea

Description	H.S. Code	2007(%)
Live Fish	0301 XX XXXX except for 0301.92.1000, 0301.99.4010, 0301.99.9051	10
Glass eel for Aquaculture	0301.92.1000	0
Sea Bream fry for Aquaculture	0301.99.4010	0
Sea Bass Fry for Aquaculture	0301.99.9051	0
Fish, Fresh or Chilled	0302 XX XXXX	20
Fish, Frozen	0303 XX XXXX	10
Fish Fillet/Fish Meat, FR/CH	0304 1X XXXX	20
Fish Fillet/Fish Meat, Frozen	0304 2X XXXX	10
Fish Surimi, Frozen	0304 9X XXXX	10
Fish, Dried/Salted/Smoked	0305 XX XXXX	20
Crustaceans	0306 except 0306.14.3000 and 0306.14.9000	20

Blue Crabs, frozen	0306.14.3000	14
Other crabs, frozen	0306.14.9000	14
Mollusk	0307 except for 0307 10 1011, 0307.10.1019 0307.91.1410 and 0307.91.9031	20
Oyster Spat for seed	0307 10 1011	0
Oyster spat for other purpose	0307.10.1019	5
Pearl oyster for seed	0307.91.1410	0
Sea Squirts for seed	0307.91.9031	0
Cuttle Fish and Squid	0307 4X XXXX	10
Fish Extracts and Juice	1603 XX XXXX	30
Fish, prepared, preserved	1604 XX XXXX	20
Crustaceans/Mollusks, prep/preserved	1605 XX XXXX	20

Source: Korea Customs Research Institute, Tariff Schedule of Korea, 2007

Table 24: Adjusted Tariff Rates for Fishery Products in Korea

Description	H.S. Code	2006 (%)	2007(%)	Changes
Eel, Live	0301.929000	30a	30a	
Sea Bream, Live	0301.99.4000	45b	45b	
Sea Bass, Live	0301.99.9050	40	38	-2
Croakers, Live	0301.90.9095	36	36	
Alaska Pollack, Frozen	0303.79.1000	30	30	
Saury, Frozen	0303.79.8000	36	34	-2
Croakers, Frozen	0303.79.9095	63	57	-6
Shrimp, In Brine	0306.23.3000	50c	50c	
Squid, Frozen	0307.49.1020	24	22	-2

a/ 30% or 1,908 Korean won per Kg., whichever is higher is applied.
b/ 45% or 2,781 Korean won per Kg., whichever is higher is applied.
c/ 50% or 363 Korean won per Kg., whichever is higher is applied.

*These adjustment tariffs have precedence over the applied tariffs on Table 23 above.

Competitors

Seafood is imported into Korea from about 100 different countries. Major suppliers of fishery products to Korea include China, Russia, Japan, Vietnam, the United States, Thailand, Taiwan and Chile. In 2006, the eight supplying countries on Table 25 below accounted for over 82 percent of total Korean seafood imports on a value basis. China continued to be the largest seafood supplier to Korea, followed by Russia and Japan as shown on the table below.

Chile has emerged as one of the major competitors. Thanks to the implementation of the Korean/Chilean Free Trade Agreement (FTA) in 2004, seafood imports from Chile increased by 46 percent to $84 million in 2006 as shown on the table below. Korea only imported $32 million of seafood from Chile in 2003 before the FTA with Chile. Seafood importers are paying more attention to Chilean seafood because of lower tariffs compared to other countries. The effects of the FTA will be realized more over the long term when the Customs duties decline further or become zero. As a result of the FTA, import tariffs were reduced to zero immediately for 277 seafood products imported from Chile effective April 1, 2004.

About twenty supplying countries including China, Russia, Japan, France, Thailand, New Zealand, Chile, Canada, Norway, Indonesia, India, Philippines, U.K. Malaysia, Mexico, etc. participate in the Busan International Seafood & Fisheries Expo annually. These competitors exhibit a wide variety of seafood products targeting importers, wholesalers, distributors, retailers, hotels, restaurants and food processors.

Table 25: Korean Imports of Fishery Products from Major Countries (MT, $1000)

Country	2004		2005		2006	
	Weight	Value	Weight	Value	Weight	Value
China	490,426	909,536	496,915	936,351	549,516	1,034,192
Russia	196,525	276,783	211,357	277,216	225,892	347,079
Japan	104,536	180,620	81,332	173,140	108,702	224,311
Vietnam	72,382	143,524	74,767	163,642	88,054	206,482
USA	79,283	136,225	67,176	152,555	62,530	150,544
Thailand	34,043	106,521	40,787	125,147	41,462	144,463
Taiwan	49,246	61,668	49,556	63,533	62,672	85,698
Chile	42,175	43,935	50,325	57,076	49,738	83,513
Others	212,299	402,544	183,927	434,914	188,535	493,066
Total	1,280,915	2,261,356	1,256,142	2,383,574	1,377,101	2,769,348

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2007

Table 26: Korean Exports of Fishery Products to Major Countries (MT, $1000)

Country	2004		2005		2006	
	Weight	Value	Weight	Value	Weight	Value
Japan	155,566	834,649	136,948	741,062	113,909	659,523
USA	20,947	81,130	22,694	88,174	20,821	95,613
China	68,073	124,102	64,865	108,031	44,423	75,414
Thailand	42,688	37,565	60,210	57,383	65,443	61,688
New Zealand	31,884	44,544	35,172	60,478	21,872	39,383
Spain	22,606	36,702	23,237	31,519	19,488	28,167
Taiwan	7,811	20,177	4,708	13,196	4,639	18,453

Hong Kong	1,867	15,334	1,718	8,895	1,574	12,514
Others	54,993	84,435	62,326	84,379	75,329	98,193
Total	406,435	1,278,638	411,878	1,193,117	367,498	1,088,948

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2007

Table 27: Korean Customs Duty Schedules for Some Seafood Products from Chile

Product	Current Customs duties	Duties for Chilean seafood in 2007	Duty Reduction Schedule for Chile
Plaice/frozen	10%	0%	Immediately
Herrings/frozen	10%	0%	Immediately
Ray/frozen	10%	0%	Immediately
Lobsters/frozen	20%	0%	Immediately
Other flat fish	10%	3.3%	5 years equally
Cod/frozen	10%	3.3%	5 years equally
Sable fish/frozen	10%	3.3%	5 years equally
Monkfish/frozen	10%	3.3%	5 years equally
Fish roes/frozen	10%	3.3%	5 years equally
Croaker/frozen	57%	23.3%	5 years equally
Sardines/frozen	10%	7.3%	10 years equally
Pollack/frozen	30%	19.1%	10 years equally

Source: Tariff Schedules of Korea 2007

Marketing

Imports of seafood are relatively easy compared to other food and agricultural products, as no special certificates are required in most cases. Importers import fishery products, and generally sell to hotels and food service industry directly, and to distributors who sell to traditional markets and restaurants. When the volume is large, importers generally sell to retailers such as supermarkets, discount stores and department stores directly. When the volume is small, importers sell to distributors who sell to these retailers. Accordingly, U.S. suppliers should contact seafood importers to sell their fishery products to Korea.

Consumers like to purchase the species that they are accustomed to, and importers tend to import the species consumers are demanding. As mentioned earlier, imports of only about 20 species in Korea account for about 90 percent of total seafood imports from the United States in 2006. This means that U.S. exporters should supply the species consumers prefer, and at the same time should also try to invest in building demand for other species with which consumers currently lack familiarity.

Although there is no market for some species at present, history shows that demand can develop rapidly for new products in Korea. For example, many years ago, no demand existed for Jerk filefish. Accordingly, fisherman threw away Jerk filefish caught along with other fish. Now, imaginative processors have developed a prepared, preserved, flat, dried snack product based on Jerk filefish. Consumption of the product has reached the point that imports are required to augment domestic supplies. Imports of prepared, preserved Jerk filefish were about $35 million (10,125 tons) in 2006, mostly from Vietnam. Although there is currently no market for U.S. croakers, there may be good potential in the future if the tariff barrier is lifted and the species is processed according to Korean tastes.

When considering the Korean market, exporters should conduct preliminary research to determine if the market is appropriate. Possible sources of market information include Korean importers, U.S. state departments of agriculture, the USATO website (www.atoseoul.com) and the U.S. Department of Commerce. Lists of Korean importers, by species, can be obtained from the U.S. Agricultural Trade Office, or through the Foreign Agricultural Service in Washington, D.C.

One way of finding potential importers while also assessing market potential is to participate in local food shows to showcase your products to a larger audience. Many Korean importers attending these shows are looking to establish reliable long-term trading relationships. Show participation enhances initial contacts with importers, agents, wholesalers, distributors, retailers and others in the food and beverage industry.

The Busan International Seafood & Fisheries Expo (BIFSE) 2008 will be held in Busan at the BEXCO convention center, November 2008. It presents an excellent opportunity to explore possible market opportunities in Korea. This show is held in November every year and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc. It is currently the only USDA-supported seafood show in Korea. Check the BISFE website (www.bisfe.com) for future show dates.

SECTION IV KEY CONTACTS AND FURTHER INFORMATION

For further information about the Korean market, please contact:

U.S. Agricultural Trade Office (ATO)
Local address: Room 303, Leema Building, 146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. mailing address: U.S. Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550
Phone: 82-2-397-4188
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The United States Department of Agriculture's Foreign Agricultural Service (USDA/FAS) offers information and services that can be beneficial to both new and experienced exporters. For example, ATO Seoul uses the U.S. Suppliers List (USL) to provide Korean importers with lists of prospective suppliers. The USL is a searchable database of more than 3,800 U.S. exporters and their products. The database features more than 500 agricultural product categories under which companies can list their offerings. Buyers who wish to find U.S. suppliers and U.S. exporters who wish to register in the USL can access the USL at: http://www.fas.usda.gov/agx/partners_trade_leads/us_suppliers_list.asp

SECTION IV OTHER RELEVANT REPORTS

Counteracting Overfishing through International maritime Principles 2007, KS7037 dated August 31, 2007