

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES
MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S.
GOVERNMENT POLICY

Voluntary Public

Date: 1/13/2017

GAIN Report Number: KS1701

Korea - Republic of

Post: Seoul

U.S. Eggs Break Into the Korean Egg Market

Report Categories:

Poultry and Products

Approved By:

Ross G. Kreamer

Prepared By:

Amanda F. Hinkle

Report Highlights:

In the final stages of a Highly Pathogenic Avian Influenza (HPAI) outbreak that has resulted in the culling of over 30 million birds, South Korea has opened its market for the first time for shell eggs from the United States. The first U.S. exports of shell eggs arrived in Korea on January 12, 2017. USDA continues to work with the Korean government to open the market for U.S. liquid egg products, liquid egg white, salted eggs and pidan. The following is a description of the Korean egg market, current tariff situation, and requirements for exporting shell eggs to Korea.

General Information

Background

Since Highly Pathogenic Avian Influenza (HPAI) in South Korea was first detected on November 16, 2016, South Korea has culled more than 30 million birds in an effort to control the spread of the disease. As of January 11, 2017, the culled birds include 23 million chicken layers (32.9 percent of the layer stock) and 440,000 chicken layer parent stock (51.5 percent of the total layer breeding stock). As a result, egg prices have jumped more than 50 percent between December 12, 2016 and January 6, 2017. For more information on the HPAI outbreak and how it is being handled by the Korean government, please see the [GAIN report](#) from FAS/Seoul on the situation as of December 18, 2016.

On January 8, 2016, the U.S. and Korean governments finalized a protocol to facilitate the export of U.S. shell eggs to Korea. This marks the first time that the Korean shell egg market has been open to the United States. The first U.S. exports of shell eggs arrived in Korea on January 12, 2017. As of publishing this report, Spain and Australia have also completed health certificate negotiations with Korea, and New Zealand is continuing discussions.

USDA continues to work with the Korean government to open the market for U.S. liquid egg products.

As Korea has an immediate need for shell eggs, the Korean government has implemented temporary measures that will enable shell egg exports to enter the Korean market quickly: (1) a Tariff Rate Quota (TRQ) of 35,000MT with a zero tariff that will be effective until June 30, 2017, and (2) air freight for shell eggs will initially be partially subsidized by the Korean government. More information on the Korean tariffs and air freight subsidy are detailed below.



Inspectors examine U.S. eggs on January 12, 2017 at the Korean port of Incheon.
(Photo by Yonhap News.)

Korean Egg Market

In 2015, Korea recorded about 70.2 million birds in average layer chicken inventory, which was about eight percent higher from 65.1 million in the 2014 inventory. In recent years, the number of total layer farms has decreased due to the closure of small size farms, while the total number of layers has increased for the past two to three years helped by the increase of large-scale farming (increased number of farms breeding over 50,000 birds).

As a result of increased number of layers and increased egg productivity, Korea produced 657,636 MT of fresh shell eggs in 2015, which is about nine percent higher compared to the production (604,464 MT) in 2013. Among the total egg consumption in Korea, the imported egg products (baked eggs, egg yolk and egg white) accounted for about 0.3 percent in 2015. For egg imports, Korea did not previously import any fresh shell eggs. However, Korea imports egg products such as baked eggs, egg yolk and egg white. In 2014, egg yolk imports were about 55 percent of egg imports, followed by egg white and baked egg with 28 percent and 17 percent, respectively.

Korea's Egg Production, Supply and Demand by Year

	2009	2010	2011	2012	2013	2014	2015	2016 (projected)
Domestic Production (MT)	579,276	577,521	573,079	604,525	604,464	657,363	657,636	640,000
Imports (MT)	1,665	2,118	2,892	2,771	2,494	2,623	2,050	1,770
Total Supply (MT)	580,941	579,639	575,971	607,296	606,958	659,986	659,686	641,770
Per Capita Consumption (Kg)	11.91	11.85	11.57	12.13	12.07	12.74	13	12.5

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

Prices

The price of eggs in Korea has dramatically increased by more than 50 percent since early December. As an additional measure that will make imported shell eggs more competitive, the Korean government is initially subsidizing air freight at 50% of the cost. When imported by air, shipment volumes are expected to range from several metric tons in the freight compartment of passenger planes to 50-90MT in cargo planes.

There are five grades of shell eggs sold on the Korean market. The prices of the 2nd grade (*special egg*) are tracked by the Korean government and are reported here.

Price of Air Freight Under Temporary Subsidy (Estimated)	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Wholesale price of large eggs in the United States*	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13
Estimated price of U.S. eggs plus air freight under temporary subsidy	1.93											
Korean local price per dozen eggs	1.87	1.94	2.01	2.09	2.20	2.29	2.37	2.65	2.72	2.75	2.81	2.99

Values are per dozen eggs where 12 eggs=800g. Prices are listed in USD, using a conversion rate of 1 USD= 1,200 KRW. *Based on industry information, U.S. prices as of Jan. 3, 2017 were between \$1.10 and \$1.13 per dozen. For purposes of this chart, the higher estimate is used.

Tariffs

On January 3, 2017, the Ministry of Strategy and Finance announced a temporary Tariff Rate Quota (TRQ) for all origins that will be valid until June 30, 2017 (unless it is further extended). This TRQ is for 98,600 MT of eggs and egg products, which includes 35,000 MT for shell eggs.

The following is the TRQ for egg and egg products that the Ministry of Strategy and Finance announced on January 3, 2017.

HTS Code	Description	Duty	Quantity (MT)			
		TRQ 1/	For processing	For direct retail	Total	
0407	21-0000	Fresh shell eggs	0	16,032	18,968	35,000
	90-0000	Smoked shell eggs	0	0	3,300	3,300
0408	11-0000	Dried yolk	0	600	0	600
	19-0000	Frozen yolk	0	12,400	0	12,400
	91-0000	Dried whole egg (not in shell)	0	2,600	0	2,600
	99-1000	Frozen whole egg (not in shell) etc.	0	22,415	5,585	28,000

3502	11-0000	Egg white powder	0	1,400	0	1,400
	19-0000	Frozen egg white	0	15,300	0	15,300
Total Quantity				70,747	27,853	98,600

1/ The TRQ duty is valid until June 30, 2017.

The United States has preferential tariffs with Korea for eggs and egg products as negotiated in the Korea- U.S. Free Trade Agreement (KORUS FTA). These tariffs (below) will be staged down over a set number of years (depending on the tariff line), and all of these products will be duty-free by the end of 2026. 2017 is year six of KORUS implementation.

The following is the tariff schedule for egg and egg products and their stage-down periods under the KORUS FTA. Once the temporary TRQ period has finished, the tariff schedule for eggs and egg products will revert to these rates.

HTS Code	Description	Basic Tariff Duty	KORUS			
			Duty (Year 6)	Staging Period (Total Years)	Year tariff reaches zero	
0407	21-0000	Fresh shell eggs	27	16.2	15	2026
	90-0000	Smoked shell eggs	27	10.8	10	2021
0408	11-0000	Dried yolk	27	13.5	12	2023
	19-0000	Frozen yolk	27	13.5	12	2023
	91-0000	Dried whole egg (not in shell)	27	10.8	10	2021
	99-1000	Frozen whole egg (not in shell) etc.	30	24.9	15	2026
3502	11-0000	Egg white powder	8	0	5	2017
	19-0000	Frozen egg white	8	0	5	2017

Required Documentation for Export of Shell Eggs to Korea

Shell egg shipments must be accompanied by an AMS PY 210S and a Disease Free statement. More information on AMS' egg program can be found at the relevant [AMS website](#). In addition to securing AMS documentation, facilities must also be registered with Korea's Ministry of Food and Drug safety (MFDS). More information on the origin of this requirement from the Korean Special Act on Imported Food Safety Management (“Special Act”) can be found in this [GAIN report](#). At this point, the process for registering a facility begins with sending this office a completed registration form—please contact FAS/Seoul or USAPEEC/Korea to obtain a copy of the form. FAS/Seoul will then transmit your application to MFDS for their consideration. Within a few days, applicants may review their status on the following [MFDS website](#). Per the Special Act, first time shipments will be tested and held for about eight days by MFDS for

residue and biological screening. This eight-day laboratory testing period is a temporarily expedited time frame that normally takes up to 18 days.

Please contact the Seoul ATO office for information on local buyers. Members may also consult the local USAPEEC office.

Seoul Ag Affairs Office

Telephone: (011-82-2) 397-4297
Tel-Embassy: (011-82-2) 397-4114
Fax: (011-82-2) 738-7147
Email-FAS: agseoul@fas.usda.gov

Seoul ATO

Telephone: (011-82-2) 6951-6848
Tel-Embassy: (011-82-2) 397-4114
Fax: (011-82-2) 720-7921
Email-FAS: atoseoul@fas.usda.gov

USAPEEC/Korea represented by Sohn's Market Makers

ph: 822-543-9380
fx: 822-543-0944
Web site: www.usapeec.co.kr
E-mail: lan@sohnmm.com
E-mail: amy@sohnmm.com

등록신청서 Application for Registration of Foreign Establishment
해외작업장
 변경등록신청서 Application for Updating Registration of Foreign Establishment

※ []에는 해당되는 곳에 √ 표를 합니다. Check the applicable brackets
 (인터넷으로 구매를 대행하여 수입하는 경우는 제외 Business of online purchasing of imported food, etc by proxy is excluded from registration) (앞쪽 Front page)

접수번호 Receipt number	접수일자 Date of receipt
년 year 월 month 일 day	
등록번호(변경등록인 경우) Registration number (For update of registered information or cancellation of registration)	

일반정보 General Information	작업장 명칭 Name of Establishment	대표자 Representative
	등록번호 EST No. or Registration Number	승인일자 Date of approval
	소재지 Address	

등록유형 Type of Registration	<input type="checkbox"/> 최초등록 Initial registration <input type="checkbox"/> 변경등록 Update of registered information
------------------------------	--

작업장 현황 Status of Establishment	위생책임자 Person in charge of sanitation	이름 Name 연락처 Phone Number including area code 전자우편 E-mail
	업종 Type of business	<input type="checkbox"/> 도축장 Slaughterhouse <input type="checkbox"/> 식육포장처리장 Meat cutting and packaging plant <input type="checkbox"/> 식육란포장처리장 Shell egg packaging plant <input type="checkbox"/> 식육가공장 Meat processing plant <input type="checkbox"/> 유가공장 Milk processing plant <input type="checkbox"/> 알가공장 Egg processing plant <input type="checkbox"/> 식육보관장 Meat storage house
	식품안전에 관한 관리시스템 적용 여부 Whether a food safety management system applies to the item information below, if applicable	<input type="checkbox"/> 적용 안함 No <input type="checkbox"/> 적용 Yes ※ 적용하면 그 시스템을 선택 If "Yes", check as applicable or specify the system <input type="checkbox"/> HACCP <input type="checkbox"/> ISO 22000 <input type="checkbox"/> 기타 Other () ※ 인증기관의 인증 여부 Whether to be certified by a certification body <input type="checkbox"/> 없음 No <input type="checkbox"/> 있음 Yes ※ 인증기관의 인증을 받았다면 그 정보를 제공 If "Yes", provide the following information ■ 인증명 Title of certification () ■ 인증기관 Certification body () ■ 인증일 Certification date () ■ 만료일 Expiration date ()
	축종 또는 주원료 Species of livestock or main ingredients	

품목정보 Item Information	식육 및 그 부산물 Meat and meat by-products	<input type="checkbox"/> 쇠고기 및 부산물 Beef, veal, and beef or veal by-products <input type="checkbox"/> 돼지고기 및 부산물 Pork and pork by-products <input type="checkbox"/> 말고기 및 부산물 Horse meat and horse by-products <input type="checkbox"/> 면양육 및 부산물 Mutton, lamb mutton, and mutton by-products <input type="checkbox"/> 산양육 및 부산물 Goat meat and goat by-products <input type="checkbox"/> 사슴고기 및 부산물 Venison and venison by-products <input type="checkbox"/> 당나귀고기 및 부산물 Donkey meat and donkey by-products <input type="checkbox"/> 토끼육 및 부산물 Rabbit meat and rabbit by-products <input type="checkbox"/> 닭고기 및 부산물 Chicken and chicken by-products <input type="checkbox"/> 오리고기 및 부산물 Duck meat and duck by-products <input type="checkbox"/> 칠면조육 및 부산물 Turkey meat and turkey by-products <input type="checkbox"/> 거위고기 및 부산물 Goose meat and goose by-products <input type="checkbox"/> 메추리고기 및 부산물 Quail meat and quail by-products <input type="checkbox"/> 꿩고기 및 부산물 Pheasant meat and pheasant by-products
	알 Shell eggs	<input type="checkbox"/> 계란 Chicken eggs <input type="checkbox"/> 오리알 Duck eggs <input type="checkbox"/> 메추리알 Quail eggs
	축산물가공품 Processed livestock products	<input type="checkbox"/> 식육가공품 Processed meat products <input type="checkbox"/> 유가공품 Processed milk products <input type="checkbox"/> 알가공품 Processed egg products

식품의약품안전처장이 필요하다고 판단하는 경우에 업소를 방문하여 점검할 수 있다는 것에 대한 동의 The applicant agrees that if the Minister of Food and Drug Safety deems it necessary, he/she may visit and inspect the applicant's establishment.

상기 정보가 사실과 다르지 않다는 것을 확인 The applicant certifies that the above Information is true and accurate.

「수입식품안전관리 특별법」 제12조 및 같은 법 시행규칙 제12조제1항 및 제13조제1항에 따라 위와 같이 등록(변경등록)을 신청합니다.

In accordance with Article 12 of the Special Act on Imported Food Safety Control and Articles 12 (1) and 13 (1) of the same Act, I hereby apply for registration (update of registered information) of registration.

년 year 월 month 일 day

신청인 Applicant

(서명 또는 인)
signature or seal

식품의약품안전처장 귀하

To the Minister of Food and Drug Safety, Republic of Korea

