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There's the Beef (and Pork)! U.S. Red Meat Success in South Korea

Report Categories:

Livestock and Products

Agricultural Situation

Market Promotion/Competition

Trade Policy Monitoring

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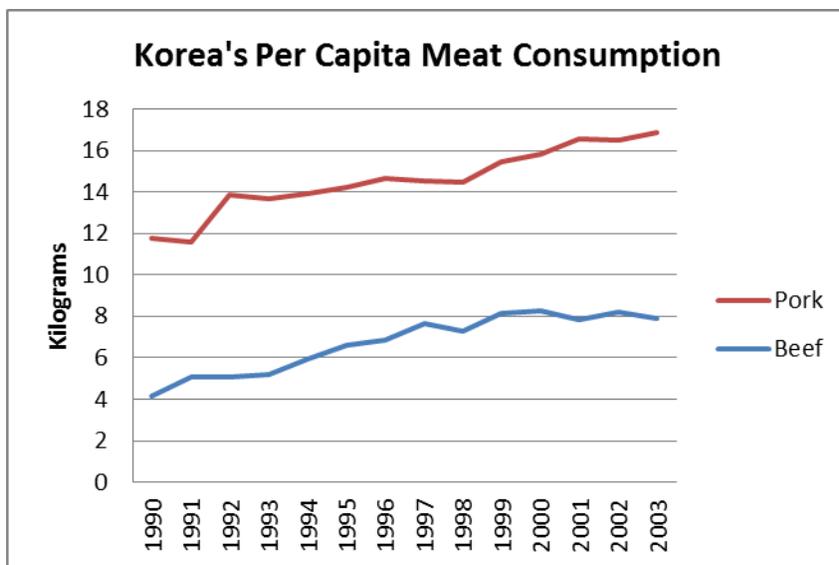
Report Highlights:

South Korea is the United States' second largest beef market by value, a remarkable turnaround from the market closure in late 2003. Korea is also the U.S.' fifth largest pork market. The success of U.S. red meat in Korea can be attributed to Korean economic growth, consumer preferences, and KORUS FTA benefits that give U.S. producers a leg up on competitors.

Korea is a relatively fast growing advanced economy and its 50 million consumers have a taste for red meat. These factors combine to make it a red hot market for U.S. meat. This report briefly covers the recent history of the Korean meat market and concludes with an explanation of how U.S. beef again resumed its position as the top supplier to Korean consumers.

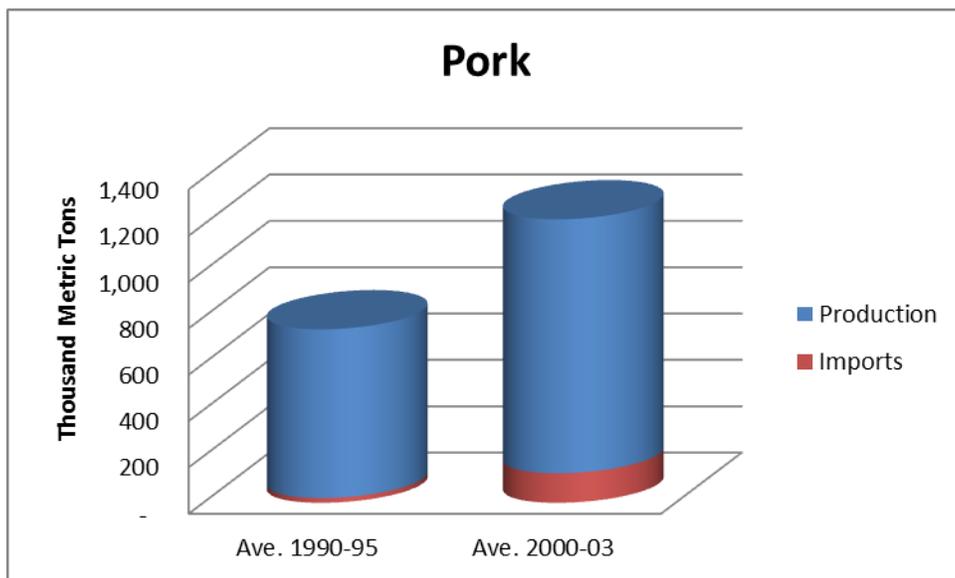
The early years:

South Korea, with its fast growing economy and consumers with taste preferences predisposed to U.S. origin red meat products, has long had the attention of U.S. beef and pork producers. With the little arable land on the surprisingly mountainous peninsula largely dedicated to food grain (rather than feed grain) production, red meats, and especially beef, were traditional luxury items. In fact, most of Korea's food and agricultural economy was closed off to the world until planners wisely opened markets (and Korean consumers) to the wide variety of food consumed by athletes and international spectators to the 1988 Olympic Games, held in Seoul. Even after this widely acknowledged starting point in Korea's opening process, per capita consumption of beef and pork averaged 5.3kgs and 13.2kgs, respectively, between 1990 and 1995. Following expanded market access for U.S. beef in the late 1990s, and despite the economic headwinds of those years, Korean consumers increased consumption of beef and pork to 7.8kgs and 16.9kgs, respectively, per person by the end of 2003, as seen in graph 1.

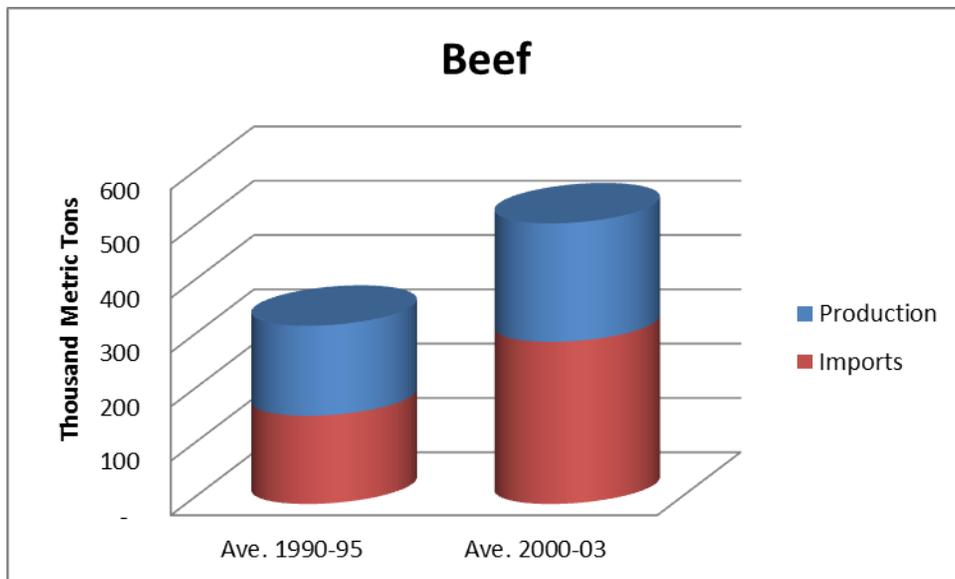


Graph 1 Source: Korea Rural Economic Institute

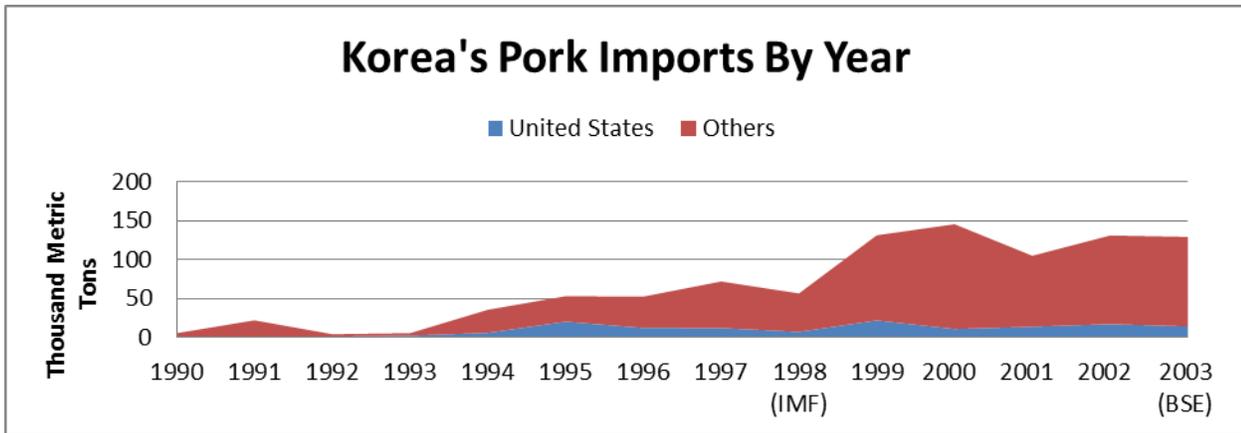
While imports rose significantly over this timeframe, Korean producers were also expanding production. Pork production grew by 50 percent while beef rose by a third. Still, U.S. beef was clearly a hit. By 2003, Korea's beef imports had more than doubled their early 90's level, with the U.S. gaining two-thirds of that growth. U.S. pork, a future major beneficiary of KORUS, also saw tremendous growth over this period, although efficiency gains allowed Korean pork producers to supply over 90 percent of consumption through the early 2000s. These trade trends can be seen in graphs 2 through 5.



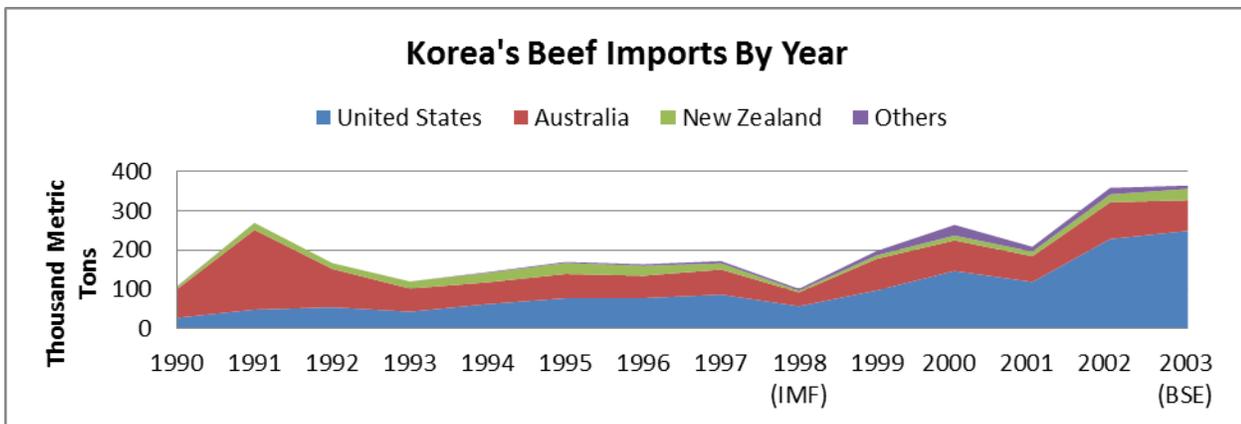
Graph 2 Source: USDA PS&D, FAS Global Agricultural Trade System



Graph 3 Source: USDA PS&D, FAS Global Agricultural Trade System



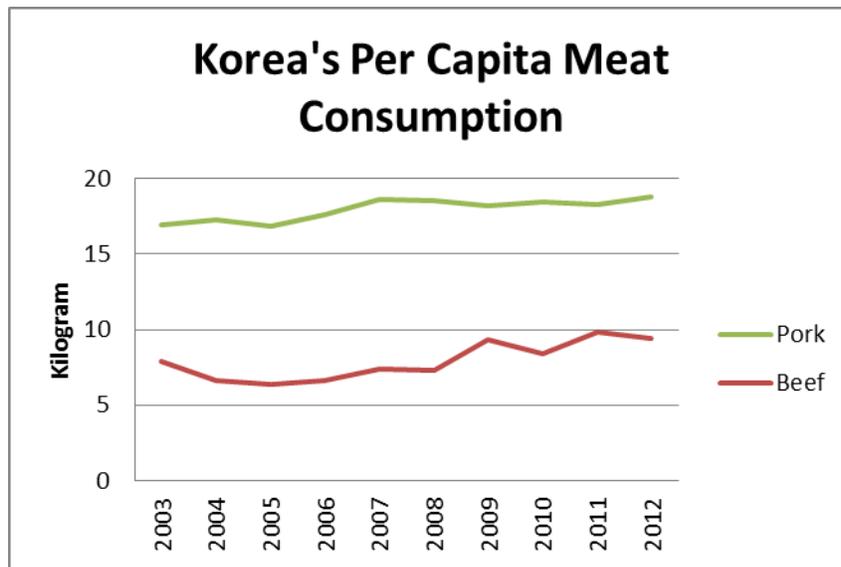
Graph 4 Source: Korea Trade Information Service, Global Trade Atlas



Graph 5 Source: Korea Trade Information Service, Global Trade Atlas

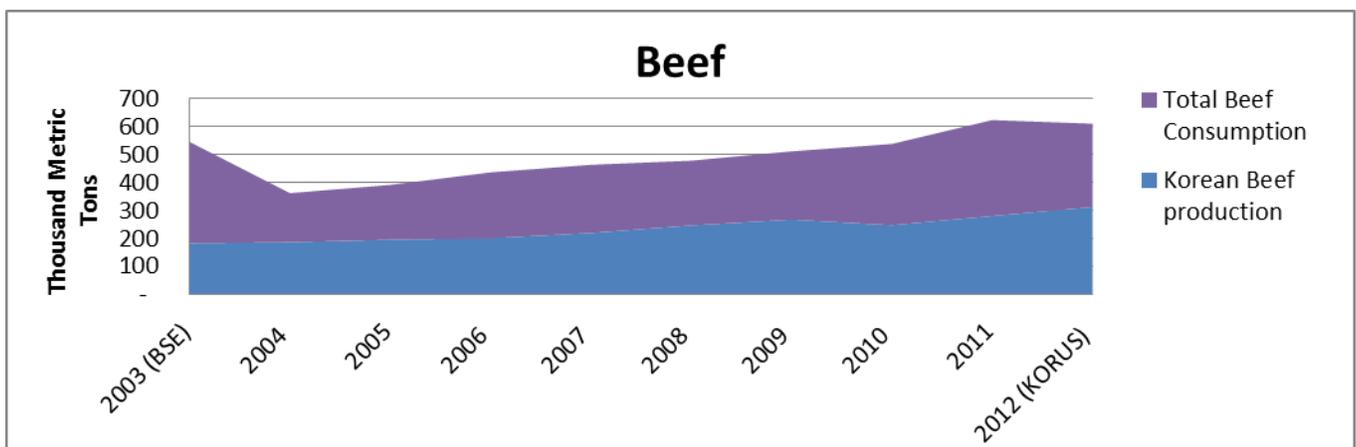
The Christmas-Stealing Cow:

Just before the Christmas holidays in 2003, an imported 6.5 year old dairy cow at a U.S. farm tested positive for Bovine Spongiform Encephalitis, or BSE. This event triggered market closures around the world including the Korean market, resulting in multi-billion dollar losses for U.S. cattle and beef producers. The event also caused significant losses for the small and medium sized businesses in Korea specializing in purveying previously popular U.S. beef, as unsellable inventory piled up. Nearly overnight, U.S. exports of beef to Korea went from 247 thousand metric tons to zero, wiping out an \$815 million market. Given the long production cycles, and the beef demand-sapping powers of a scary sounding, though low risk, cattle disease, domestic production and imports from other suppliers were unable to support consumption in the early years after the market closure. Per capita consumption fell 16 percent and didn't recover to 2003 levels until after the reopening of the market to U.S. beef (although U.S. beef imports were not up significantly in the early years of the new access protocol, other origins filled the gap).

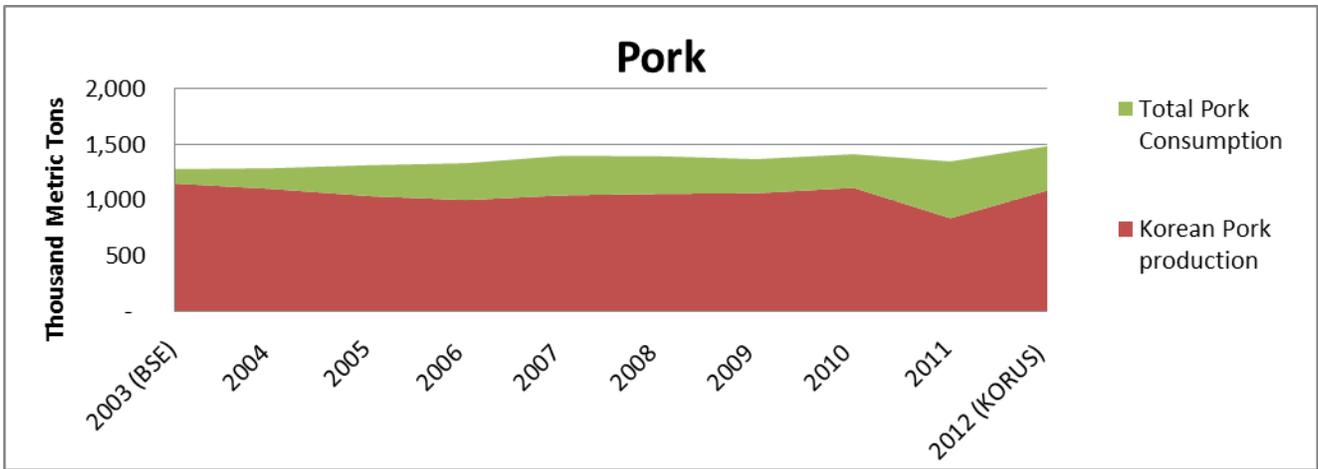


Graph 6 Source: Korea Rural Economic Institute

Eventually, through the last year prior to the start of the KORUS agreement, Korean beef producers had increased production by over 50 percent. Korean consumers, in the absence of plentiful beef supplies, turned to pork. U.S. pork joined other origins in enjoying expanding export opportunities to the Korean market, as domestic producers were not able to augment supplies to meet the new demand. Korea's pork imports nearly doubled between 2003 and 2012. In the background, increasingly robust negotiations on the KORUS FTA were underway.



Graph 7 Source: USDA PS&D, FAS Global Agricultural Trade System

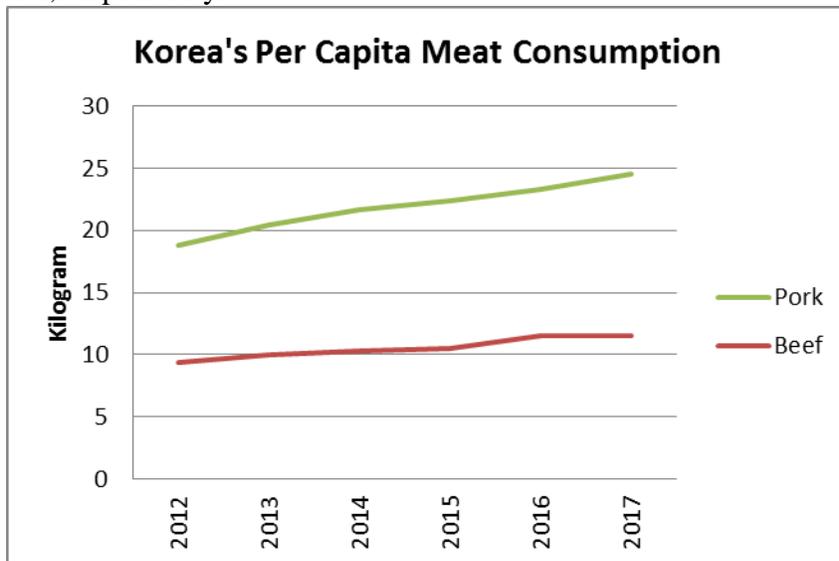


Graph 8 Source: USDA PS&D, FAS Global Agricultural Trade System

The Post-KORUS Years:

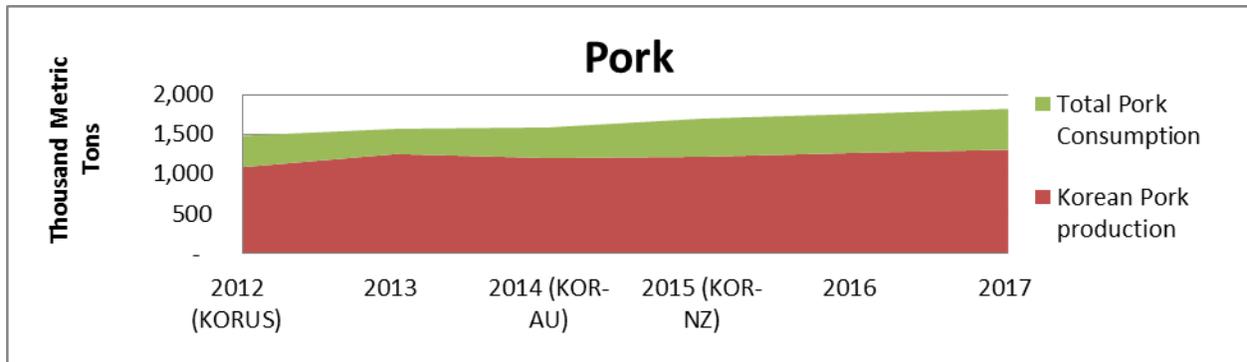
The bilaterally agreed protocol facilitating additional market access for U.S. beef was finalized in 2008. The KORUS agreement went into effect in March of 2012. Immediately, tariffs affecting nearly two-thirds of U.S. food and ag products went away. U.S. ag exports to Korea in the five years after the implementation of the trade agreement are 20 percent higher than they were in the five years leading up to implementation. Korean food and ag exporters, from an admittedly smaller base are doing even better—up 44 percent. Despite commonly heard reports from domestic red meat producers, Hanwoo beef and Korean pork production have either continued apace or are higher, compared to pre-KORUS years, especially for pork. The Korean poultry industry, too, has seen significant growth.

Korea’s growing economy has certainly been a factor in driving domestic and imported protein per capita consumption growth. Since KORUS implementation, pork and beef consumption are up 22 percent and 30 percent, respectively.

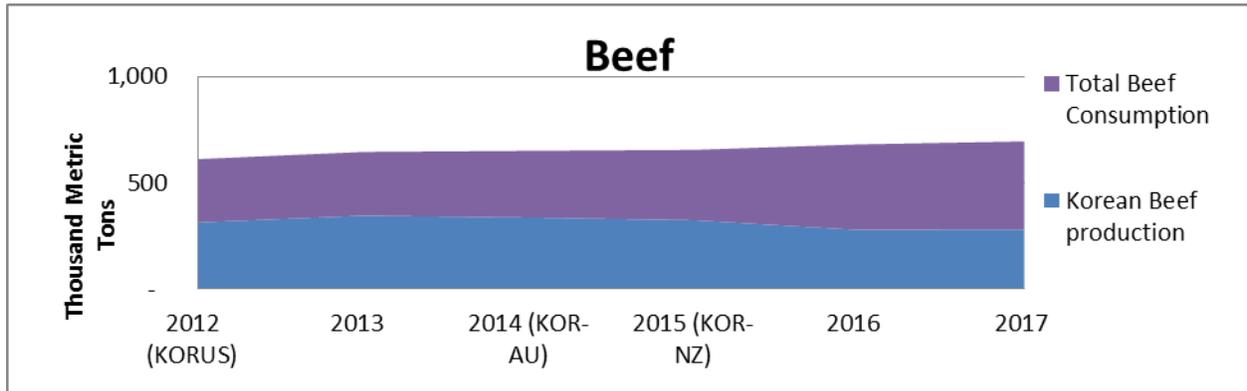


Graph 9 Source: Korea Rural Economic Institute

Although local pork production has risen since 2012, in general, Korean beef and pork producers have struggled to keep up with growing demand.



Graph 10 Source: USDA PS&D, FAS Global Agricultural Trade System



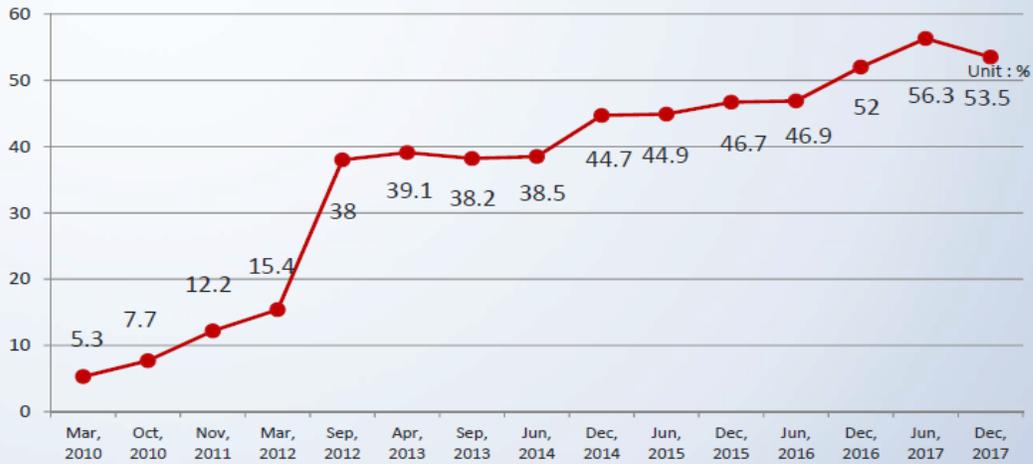
Graph 11 Source: USDA PS&D, FAS Global Agricultural Trade System

There are two additional factors driving import demand for pork and beef, especially from the U.S. First, USDA supported U.S. beef marketing activities carried out locally by the U.S. Meat Export Federation (USMEF) Korea office that sought to counter the public narrative on U.S. beef's association with BSE and emphasized the quality and safety of U.S. beef. By any measure, this work has been a success. USMEF commissions regular opinion surveys related to U.S. beef and have found a dramatic improvement in the consumer trust measurement.



Consumer Confidence Recovery

Consumer Confidence - U.S. Beef Safety



Source : USMEF/Gallup

www.USMEF.org

Graph 12

Second, the KORUS agreement provides significant tariff advantages for U.S. pork and beef compared to other origins. Although the U.S. is the main pork supplier to Korea, several other origins are also competitive. Together, the U.S. and EU supply nearly 80 percent of Korea's imports.

Korea: Pork Imports

Unit: Thousand dollars and Metric Tons

Country	Annual 2015		Annual 2016		Annual 2017	
	Value	Volume	Value	Volume	Value	Volume
United States	428,269	139,753	377,478	141,273	430,925	157,087
Germany	231,934	80,816	245,127	86,813	380,223	110,451
Spain	164,729	62,966	174,432	71,655	178,065	60,936
Chile	122,832	31,560	116,197	32,979	115,196	27,410
Canada	86,332	41,083	81,311	35,237	96,666	35,090
Netherlands	49,011	14,854	53,674	17,097	83,809	22,243
Austria	61,313	19,301	57,936	18,122	65,284	17,058
Mexico	34,087	10,158	48,382	13,762	57,044	15,340
Denmark	59,127	20,761	45,958	18,384	47,002	17,228
Belgium	36,483	11,645	38,430	12,617	36,807	9,626
France	37,679	9,464	28,102	7,480	31,149	7,285
Hungary	14,450	4,297	15,647	4,466	17,508	4,358
Others	34,854	14,069	28,194	13,306	30,935	12,330
Total	1,361,100	460,727	1,310,868	473,191	1,570,613	496,442

Source: [FAS Seoul GAIN Report, Livestock Semiannual](#)

Various analyses anticipate that U.S. pork will continue to have a tariff and cost advantage over other origins. Below is a rundown of applicable tariffs by major origin, followed by the most recent trade-weighted tariff and price analysis.

Chilled pork carcasses and half carcasses, chilled bone-in hams					
Tariff			Tariff		
KORUS	Start *	End	EU	Start	End
22.5		3/14/2012	18.7	7/1/2011	6/30/2012
15	3/15/2012	12/31/2012	15	7/1/2012	6/30/2013
7.5	1/1/2013	12/31/2013	11.2	7/1/2013	6/30/2014
0	1/1/2014	12/31/2014	7.5	7/1/2014	6/30/2015
0	1/1/2015	12/31/2015	3.7	7/1/2015	6/30/2016
0	1/1/2016	12/31/2016	0	7/1/2016	12/31/2016
0	1/1/2017	12/31/2017	0	1/1/2017	12/31/2017
0	1/1/2018	12/31/2018	0	1/1/2018	6/30/2018

* KORUS FTA was implemented on March 15, 2012

Chilled Pork Bellies					
KOR US	Tariff		EU	Tariff ±	
	Start	End		Start	End
22.5		3/14/2012	20.4	7/1/2011	6/30/2012
20.2	3/15/2012	12/31/2012	18.4	7/1/2012	6/30/2013
18	1/1/2013	12/31/2013	16.3	7/1/2013	6/30/2014
15.7	1/1/2014	12/31/2014	14.3	7/1/2014	6/30/2015
13.5	1/1/2015	12/31/2015	12.2	7/1/2015	6/30/2016
11.2	1/1/2016	12/31/2016	10.2	7/1/2016	6/30/2017
9	1/1/2017	12/31/2017	8.1	7/1/2017	6/30/2018
6.7	1/1/2018	12/31/2018	±Unless specified, EU pork tariffs phase out in equal increments over the following 11 years.		
4.5	1/1/2019	12/31/2019			
2.2	1/1/2020	12/31/2020			
0	1/1/2021	12/31/2021			
0	1/1/2022	12/31/2022			
0	1/1/2023	12/31/2023			
0					

Other Chilled Pork					
KOR US	Tariff		EU	Tariff ±	
	Start	End		Start	End
22.5		3/14/2012	20.4	7/1/2011	6/30/2012
20.2	3/15/2012	12/31/2012	18.4	7/1/2012	6/30/2013
18	1/1/2013	12/31/2013	16.3	7/1/2013	6/30/2014
15.7	1/1/2014	12/31/2014	14.3	7/1/2014	6/30/2015
13.5	1/1/2015	12/31/2015	12.2	7/1/2015	6/30/2016
11.2	1/1/2016	12/31/2016	10.2	7/1/2016	6/30/2017
9	1/1/2017	12/31/2017	8.1	7/1/2017	6/30/2018
6.7	1/1/2018	12/31/2018	±Unless specified, EU pork tariffs phase out in equal increments over the following 11 years.		
4.5	1/1/2019	12/31/2019			
2.2	1/1/2020	12/31/2020			

0	1/1/202 1	12/31/2 021
0	1/1/202 2	12/31/2 022
0	1/1/202 3	12/31/2 023
0	1/1/202 4	12/31/2 024
0	1/1/202 5	12/31/2 025
0	1/1/202 6	12/31/2 026
0	1/1/202 7	12/31/2 027
0	1/1/202 8	12/31/2 028

Frozen pork (carcasses and half carcasses, bone-in hams, pork bellies)						Frozen pork (carcasses and half carcasses, bone-in hams)		
Tariff			Tariff			Tariff ±		
KOR US	Start*	End	EU	Start	End date	EU	Start	End
25		3/14/2012	20.8	7/1/2011	6/30/2012	22.7	7/1/2011	6/30/2012
16.6	3/15/2012	12/31/2012	16.6	7/1/2012	6/30/2013	20.4	7/1/2012	6/30/2013
8.3	1/1/2013	12/31/2013	12.5	7/1/2013	6/30/2014	18.1	7/1/2013	6/30/2014
0	1/1/2014	12/31/2014	8.3	7/1/2014	6/30/2015	15.9	7/1/2014	6/30/2015
0	1/1/2015	12/31/2015	4.1	7/1/2015	6/30/2016	13.6	7/1/2015	6/30/2016
0	1/1/2016	12/31/2016	0	7/1/2016	6/30/2017	11.3	7/1/2016	6/30/2017
0	1/1/2017	12/31/2017	0	7/1/2017	6/30/2018	9	7/1/2017	6/30/2018
0	1/1/2018	12/31/2018	0	7/1/2018	6/30/2019			

Frozen pork bellies °

±Unless specified, EU pork tariffs phase out in equal increments over the following 11 years.

° Note that the duty between frozen carcass/hams and duty for frozen pork bellies is different under the Korea-EU FTA.

Tariff ±		
EU	Start	End
22.7	7/1/2011	6/30/2012
20.4	7/1/2012	6/30/2013
18.1	7/1/2013	6/30/2014
15.9	7/1/2014	6/30/2015
13.6	7/1/2015	6/30/2016
11.3	7/1/2016	6/30/2017
9	7/1/2017	6/30/2018

Other frozen pork					
Tariff			Tariff		
KORUS	Start*	End	EU	Start	End
25		3/14/2012	20.8	7/1/2011	6/30/2012
16	3/15/2012	12/31/2012	16.6	7/1/2012	6/30/2013
12	1/1/2013	12/31/2013	12.5	7/1/2013	6/30/2014
8	1/1/2014	12/31/2014	8.3	7/1/2014	6/30/2015
4	1/1/2015	12/31/2015	4.1	7/1/2015	6/30/2016
0	1/1/2016	12/31/2016	0	7/1/2016	6/30/2017
0	1/1/2017	12/31/2017	0	7/1/2017	6/30/2018
0	1/1/2018	12/31/2018	0	7/1/2018	6/30/2019

Chilled Pork bellies and other chilled pork							
Safeguard Tariff*							
KORUS		Start	End	EU		Start	End
Duty (%)	Trigger level (MT)			Duty (%)	Trigger level (MT)		
22.5	8,250	3/15/2012	12/31/2012	22.5	163	7/1/2011	6/30/2012
22.5	8,745	1/1/2013	12/31/2013	22.5	163	7/1/2012	6/30/2013
22.5	9,270	1/1/2014	12/31/2014	22.5	166	7/1/2013	6/30/2014
22.5	9,826	1/1/2015	12/31/2015	22.5	169	7/1/2014	6/30/2015
22.5	10,415	1/1/2016	12/31/2016	22.5	172	7/1/2015	6/30/2016
15.8	11,040	1/1/2017	12/31/2017	22.5	176	7/1/2016	6/30/2017
14.6	11,703	1/1/2018	12/31/2018	15.8	179	7/1/2017	6/30/2018
13.5	12,405	1/1/2019	12/31/2019	14.6	183	7/1/2018	6/30/2019
12.4	13,149	1/1/2020	12/31/2020	13.5	187	7/1/2019	6/30/2020
11.3	13,938	1/1/2021	12/31/2021	12.4	190	7/1/2020	6/30/2021
0	N/A	1/1/2022	12/31/2022	11.3	194	7/1/2021	6/30/2022
				0	N/A	7/1/2022	6/30/2023

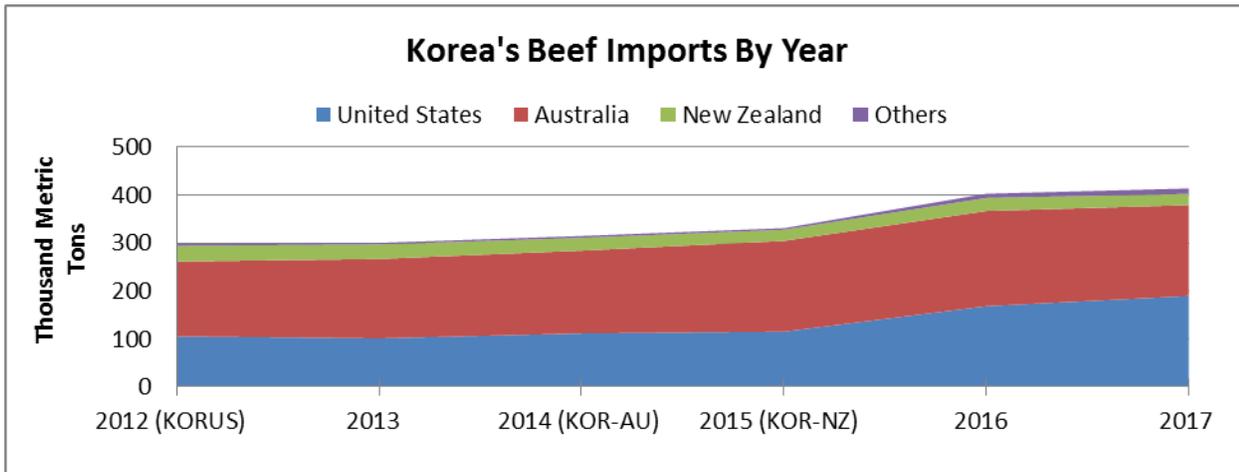
* Tariff rate applied to imported pork in excess of the listed safeguard volume.

Trade-weighted analysis of Price Competitiveness

Category	Country	Unit	2017	2018	2022	2027
Exchange rate		Won / US dollar	1,139	1,104	1,171	1,173
Import duty	U.S.A.	Percent	0.0	0.0	0.0	0.0
	EU		9.1	6.8	0.0	0.0
	Other		14.4	10.5	6.6	6.6
Import price	U.S.A.	U.S. dollar / Kg.	2.74	2.52	2.51	2.61
	EU		3.28	3.41	3.66	4.05
	Other		2.70	2.79	2.98	3.30
Wholesale price	U.S.A.	Won / Kg.	3,600	3,208	3,401	3,542
	EU		4,693	4,635	4,953	5,486
	Other		4,037	3,918	4,289	4,750

Source: KREI

As seen in graph 13, the U.S. and Australia are the major competitors for the imported beef market, currently supplying about half of Korean consumption.



Graph 13 Source: Global Trade Atlas

As alluded to above, U.S. beef enjoys significant tariff benefits compared to their main competitor. See below charts on U.S. and Australian beef treatment under our respective FTAs.

Tariff ^{tt}		Start date *
KORUS	Australia	
40	40	
37.3	40	3/15/2012
34.6	40	1/1/2013
32	37.3	1/1/2014
29.3	34.6	1/1/2015
26.6	32	1/1/2016
24	29.3	1/1/2017
21.3	26.6	1/1/2018
18.6	24	1/1/2019
16	21.3	1/1/2020
13.3	18.6	1/1/2021
10.6	16	1/1/2022
8	13.3	1/1/2023
5.3	10.6	1/1/2024
2.6	8	1/1/2025
0	5.3	1/1/2026
0	2.6	1/1/2027
0	0	1/1/2028

* KORUS FTA was implemented on March 15, 2012 and Korea-Australia FTA was implemented on December 12, 2014.

^{tt} The tariff rate applied to imported beef for volumes up to the safeguard level listed in the Safeguard tariff chart.

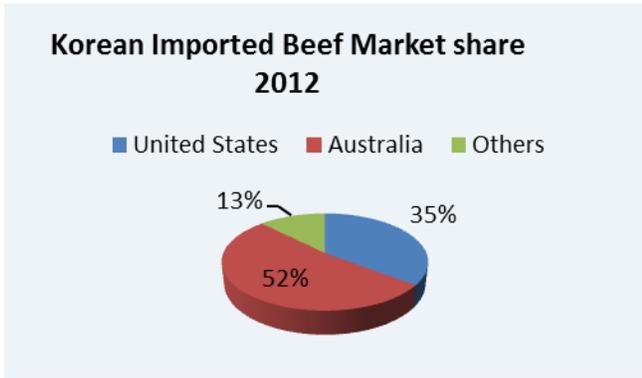
KORUS		Australia		date *
Duty (%) ^b _b	Trigger level (MT)	Duty (%) ^{bb}	Trigger level (MT)	
40	270,000	N/A		3/15/2012
40	276,000	N/A		1/1/2013
40	282,000	40	154,584	1/1/2014
40	288,000	40	157,676	1/1/2015
40	294,000	40	160,829	1/1/2016
30	300,000	40	164,046	1/1/2017
30	306,000	40	167,327	1/1/2018
30	312,000	30	170,673	1/1/2019
30	318,000	30	174,087	1/1/2020
30	324,000	30	177,569	1/1/2021
24	330,000	30	181,120	1/1/2022
24	336,000	30	184,742	1/1/2023
24	342,000	24	188,437	1/1/2024
24	348,000	24	192,206	1/1/2025
24	354,000	24	196,050	1/1/2026
0	N/A	24	199,971	1/1/2027
N/A		24	203,970	1/1/2028
N/A		0	N/A	1/1/2029

* KORUS FTA was implemented on March 15, 2012 and Korea-Australia FTA was implemented on December 12, 2014.

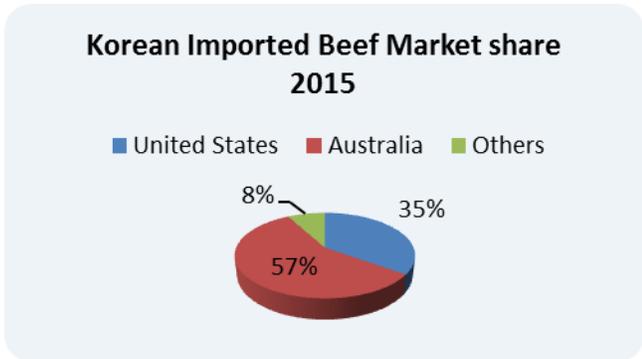
^{bb} Tariff rate applied to imported beef in excess of the listed safeguard volume.

Safeguard Tariff	Start
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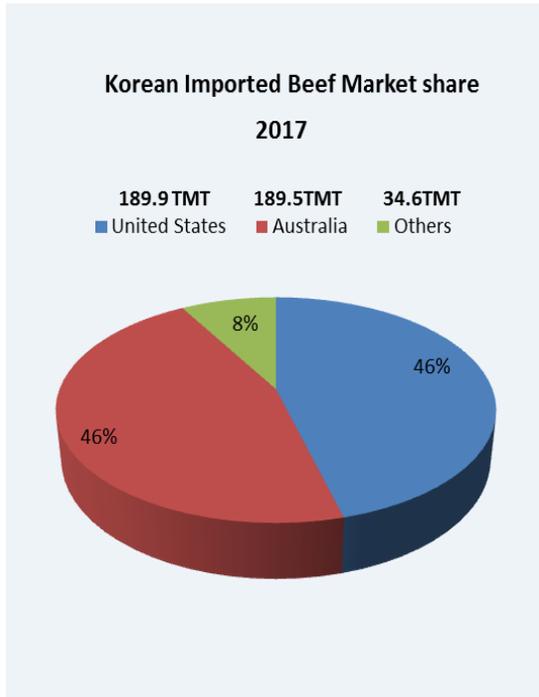
Thanks to the combination of USMEF’s quality and safety promotional campaign and the preferential tariff treatments, U.S. beef eventually overtook Australia in 2017 to become the largest beef supplier to the growing Korean beef market.



Pie Chart 1 Source: Global Trade Atlas



Pie Chart 2 Source: Global Trade Atlas



Pie Chart 3 Source: Global Trade Atlas