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Global Agricultural Information Network

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KORUS FTA Orange TRQ Allocation Change

Report Categories:

Trade Policy Monitoring

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Report Highlights:

U.S. oranges coming into Korea from September 1- February 28 do so under a Tariff Rate Quota (TRQ) negotiated under the Korea-U.S. Free Trade Agreement (KORUS). The system for allocating this TRQ will change in Year 11 (2022) from an import license auction system to an import license allocation system. The Ministry of Agriculture, Food, and Rural Affairs (MAFRA) recently clarified how this import license allocation system will be implemented.

General Information

U.S. oranges are eligible to be shipped to Korea year-round. From September 1- February 28, U.S. oranges come in under the Korea-U.S. Free Trade Agreement (KORUS) Tariff Rate Quota (TRQ). Oranges that come in within the quota are duty-free, while the out-of-quota rate is 50 percent. From March 1- August 31, U.S. oranges come in duty-free under a zero percent seasonal duty (since 2018). The March- August timeframe is considered the regular FTA tariff timeframe.

Although the orange TRQ under the KORUS FTA is a small quantity relative to the annual orange imports from the United States (see Graph 1 & Table 2), the in-quota quantity increases by three percent every year, compounded annually. The KORUS FTA TRQ (from 9/1-2/28) also provides a meaningful benefit for importers, as it opens a duty-free quantity outside the regular FTA seasonal duty-free period (3/1 – 8/30).

As indicated in Appendix 2-B-1 of KORUS, which describes the administration of the TRQ for oranges (see Table 1), the Korea Agro-Fisheries and Food Trading Corporation (aT), a state trading company, will change the TRQ allocation system from the current import license auction system to an import license allocation system from year 11 (2022). The allocation of the TRQ quantity from Year 11 will be decided based on the import record during the most recent three years (Year 8 – Year 10), which is during 2019 – 2021. The TRQ quantity for Year 12 will be determined from the import record from 2020-2022, and so on. MAFRA also explained that it will allocate about 80 - 90 percent of the TRQ to importers who have an historical import record during the pertinent TRQ periods, while 10 – 20 percent of remaining TRQ will be split equally among new importers. The revised TRQ allocation system from 2021 could potentially reduce the cost of importing oranges during the September through February period. More details about the system from year 11 onward will be announced by aT in August 2019, right before the TRQ allocation for Year 8.

MAFRA also administers other TRQs in the same way. Twenty-four local food industry associations including aT are endorsed by MAFRA to manage 63 TRQ commodities/products for TRQ allocation and management. MAFRA allocates TRQs for the following commodities/products according to their purpose, and based on the recent import record.

- Potatoes, sweet potato starch (for processing)
- Sesame seed oil, other root and tuber crops, other processed grains (for pharmaceutical purposes)
- corn (for corn grits and baking purposes)
- Garlic, onions, potato starches, green tea, other root & tuber crop, other processed grains, citrus including oranges and sweet potatoes (for domestic, food service and in-home use)

Table 1: Appendix 2-B-1 of the KOREA-U.S. Free Trade Agreement
Oranges

15. (a) The aggregate quantity of originating goods of the United States described in subparagraph (c) that shall be permitted to enter free of duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	2,500
2	2,575
3	2,652
4	2,732
5	2,814

After year 5, the in-quota quantity increases by 3% per year, compounded annually.

The Korea Agro-Fisheries Trade Corporation shall administer this TRQ and allocate the in-quota quantity through an annual auction in years 1 through 10 and, beginning in year 11, through a licensing system based on historical shipments over the most recent three-year period. The Corporation shall conduct auctions and allocate import licenses in August of each year, and importers shall be permitted to import the duty-free quantities from September 1 through the last day of February. Any person or entity, including a producer group, registered as an importer under the *Foreign Trade Act* of Korea shall be eligible to apply and to be considered for the allocation of the duty-free quantities.

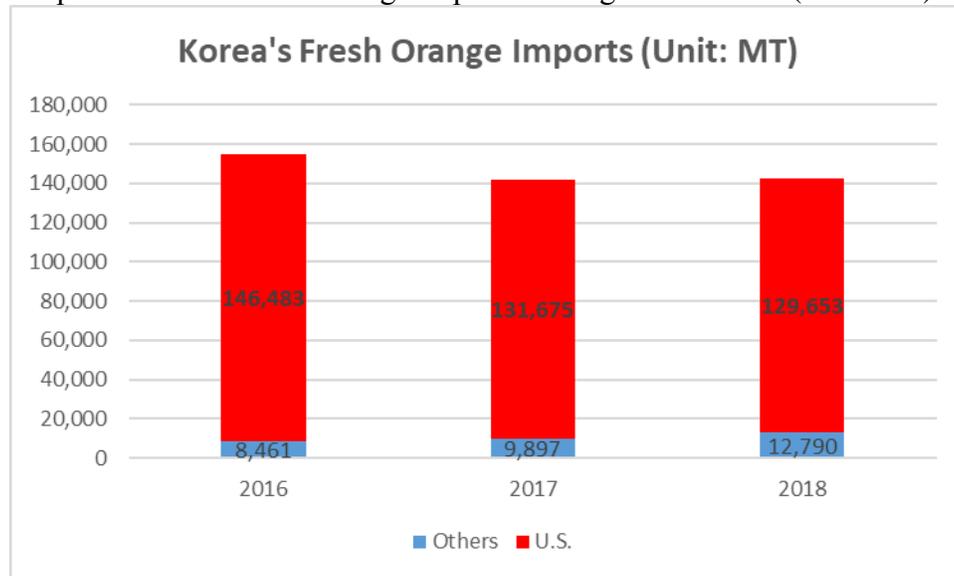
- (b) Duties on goods entered in aggregate quantities in excess of the quantities listed in subparagraph (a) shall be treated in accordance with staging category W as described in paragraph 3(j) of the General Notes accompanying Korea's Schedule to Annex 2-B.
- (c) Subparagraphs (a) and (b) apply to the following HSK provision: 0805100000.

Table 2: Orange TRQ Quantity By Year (Unit: MT)

TRQ Allocation System & Method	Year (Calendar Year)	TRQ (MT)	Remarks
Import License Auction System TRQ allocation is decided by order of the highest auction fee	1 (2012)	2,500	Implementation period 9/1 – 2/28 The in-quota quantity increases by 3% per year. Compounded annually.
	2 (2013)	2,575	
	3 (2014)	2,652	
	4 (2015)	2,732	
	5 (2016)	2,814	
	6 (2017)	2,898	
	7 (2018)	2,985	
	8 (2019)	3,075	
	9 (2020)	3,167	
	10 (2021)	3,262	
Import License Allocation System TRQ allocation is decided by the TRQ import record during the most recent 3 years	11 (2022)	3,360	
	12 (2023)	3,461	
	13 (2024)	3,565	
	14 (2025)	3,672	

Source: KORUS FTA Agreement

Graph 1: Korea's Fresh Orange Imports During 2016 – 2018 (Unit: MT)



Source: Global Trade Atlas (GTA)

Table 3: Import License Auction Result for Orange TRQ under the KORUS FTA for 2016

Company	Awarded Quantity (MT)	Bidding
Jinwon Trading Co.	661	Successful
Global Trading Co.	1,351	Successful
Sooil Commerce Co.	802	Successful
Dongbu Distribution Co.	-	Failure
Lease Marketing Co.	-	Failure
Jumbo Fresh Fruits Co.	-	Failure
TRQ Total	2,814	

Source: Korea Agro-Fisheries & Food Trade Corporation (aT)

Table 4: Import License Auction Result for Orange TRQ under the KORUS FTA for 2017

Company	Awarded Quantity (MT)	Bidding
Jumbo Fresh Fruits Co.	300	Successful
Jinwon Trading Co.	20	Successful
Global Trading Co.	1076	Successful
Lease Marketing Co.	510	Successful
Dole Korea Co.	340	Successful
Sooil Commerce Co.	652	Successful
Dongbu Distribution Co.	-	Failure
TRQ Total	2,898	

Source: Korea Agro-Fisheries & Food Trade Corporation (aT)

Table 5: Import License Auction Result for Orange TRQ under the KORUS FTA for 2018

Company	Awarded Quantity (MT)	Bidding
Jumbo Fresh Fruits Co.	600	Successful
PSK International Co.	1583	Successful
Sooil Commerce Co.	802	Successful
Yooha Distribution Co.	-	Failure
Jinwon Trading Co.	-	Failure
Global Trading Co.	-	Failure
Lease Marketing Co.	-	Failure
Dole Korea Co.	-	Failure
Shinpyeong I&T Co.	-	Failure
Makzel Trading Co.	-	Failure
TRQ Total	2,985	

Source: Korea Agro-Fisheries & Food Trade Corporation (aT)