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Fishery Products

Annual

2005

Approved by:

Susan B. Phillips, Deputy Director
Agricultural Trade Office, Seoul

Prepared by:

Seh Won KIM, Senior Ag. Marketing Specialist

Report Highlights:

In 2004, Korea was the fifth largest market for U.S. fishery products. In 2005, imports are expected to increase another 10 percent to \$2.5 billion. Although imports from the U.S. decreased about 6 percent from 2003, they are expected to rebound by 10 percent in 2005 to \$140 million. Korea has a trade deficit in seafood and this trend is only expected to increase in the future. Korea remains an important market for U.S. seafood suppliers, given Korea's high per capita consumption.

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SECTION I: SITUATION AND OUTLOOK

In 2004, Korea was the fifth largest market for U.S. fishery products. Total imports of seafood increased to \$2.3 billion, up 17 percent from 2003. In 2005, imports are expected to increase another 10 percent to \$2.5 billion. Imports from the U.S. were \$136 million (79,000 MT) in 2004, providing the U.S. with only a 6.3 percent market share. Although imports from the U.S. decreased about 6 percent from 2003, they are expected to rebound by 10 percent in 2005 to \$140 million.

Until 2000, Korea always enjoyed a trade surplus in seafood. However, since 2001 it has continued to suffer a growing trade deficit. Korea exported \$1.28 billion of seafood in 2004 while it imported \$2.26 billion in the same year, a large trade deficit of almost \$1 billion and only 4 years from the time when Korea had a trade surplus in seafood. This trend is only expected to increase in the future. Korea remains an important market for U.S. seafood suppliers, given Korea's high per capita consumption.

U.S. seafood is generally considered high quality but higher in price compared to competitors. Pollack surimi, monkfish, Alaskan Pollack roes, cod and hagfish are some of the major species that are imported to Korea from the United States. Some U.S. species are not similar to Korean species and consumers are unfamiliar with the taste.

Korean fish production, at 2.52 million metric tons in 2004, increased slightly to over 2.49 million metric tons from 2003 mainly due to shallow-sea aquaculture. Within shallow-sea aquaculture seaweeds increased by 85,000 tons from 452,000 tons in 2003 to 537,000 tons in 2004 accounting for the majority of the growth. Still, this is down significantly from several years ago when average annual production was 3 million metric tons.

It is expected that Korean domestic fishery production will not increase in 2006 due to the depletion of fish resources in adjacent waters and the enforcement of Exclusive Economic Zones by Korea's neighboring countries. Fishery workers in Korea, the number of fishing vessels and their capacity have also decreased continuously for the past 5 years. 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 on aquaculture and researching how to secure higher fish catch quotas in foreign waters.

SECTION II: STATISTICAL TABLES

PSD Table

Country Commodity	Korea, Republic of Fish,Urchin Roe/Caviar,Liver (MT)					
	2004 USDA Official [	Revised Estimate[1]A	2005 USDA Official [	Estimate [1]A	2006 USDA Official [	Forecast Estimate[1]A
Market Year Begin	01-2004		01-2005		01-2006	
Beginning Stocks	0	0	0	0	0	0
Total Production	2500	2441	2500	2500	0	2500
Intra-EC Imports	0	0	0	0	0	0
Other Imports	14000	14360	14500	14500	0	15000
TOTAL Imports	14000	14360	14500	14500	0	15000
TOTAL SUPPLY	16500	16801	17000	17000	0	17500
Intra-EC Exports	0	0	0	0	0	0
Other Exports	4500	5906	4000	4500	0	5000
TOTAL Exports	4500	5906	4000	4500	0	5000
Domestic Consumption	12000	10895	13000	12500	0	12500
Other Use/Loss	0	0	0	0	0	0
TOTAL Utilization	12000	10895	13000	12500	0	12500
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	16500	16801	17000	17000	0	17500

Note: PSD Tables stand for Products Supply and Demand Tables

Export Trade Matrix

Country	Korea, Republic of	
Commodity	Fish,Urchin Roe/Caviar,Liver	
Time Period	Jan/Dec	Units: MT
Exports for:	2003	2004
U.S.	168	131
Others	Others	
Japan	3,900	3,514
China	376	1,915
		Russia 310
Total for Others	4276	5739
Others not Listed	200	36
Grand Total	4644	5906

Source: Statistical Yearbook of Foreign Trade 2004

Import Trade Matrix

Country Korea, Republic of

Commodity Fish,Urchin Roe/Caviar,Livers

Time Period **Jan/Dec** Units: **MT**

Imports for: **2003** **2004**

U.S. **2,777** U.S. **2,690**

Others Others

Russia	6,901	Russia	6,503
China	849	China	3,005
Japan	779	New Zealand	648
New Zealand	733	Iceland	491
		Japan	451

Total for Others 9262 11098

Others not Listed **859** **572**

Grand Total 12898 14360

Source: Statistical Yearbook of Foreign Trade 2004

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

Items	1999	2000	2001	2002	2003	2004
Roes of Alaska Pollack (from distant seas)1/	7,538	2,955	2,197	2,361	3,093	2,315
Herring Roes	0	0	0	0	0	0
Sea Urchin	0	103	92	71	59	126
Total	7,538	3,058	2,289	2,432	3,152	2,441

Source: Statistical Yearbook of Ministry of Maritime Affairs and Fisheries 2005

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

Species	H.S. Code	2003		2004	
		World	U.S.	World	U.S.
Livers, Fresh	0302.70.1000	5	5	4	4
Roes, fresh	0302.70.2000	0	0	0	0
Livers, frozen	0303.80.1000	11	0	135	0
Roes/AK Pollack, frozen	0303.80.2010	7,881	1,618	6,765	1,452
Other Roes, Frozen	0303.80.2090	3,010	1,130	4,092	1,231
Livers, dried, salted	0305.20.1000	19	0	10	0
Roes, dried	0305.20.2000	4	0	27	0
Roes, smoked	0305.20.3000	0	0	0	0
Roes/Alaska Pollack	0305.20.4010	0	0	5	0
Roes/Yellow Corvina	0305.20.4020	0	0	0	0
Roes/Herrings, Dried	0305.20.4030	36	0	30	0
Other roes, Salted	0305.20.4090	10	0	63	0
Sea Urchin, Fresh	0307.91.9010	0	0	7	1
Caviar	1604.30.1000	2	0	2	0
Caviar, Substitute	1604.30.2000	1,014	24	3,220	2
Total		12,898	2,777	14,360	2,690

Source: Statistical Yearbook of Foreign Trade 2004, Korea Customs Service

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

Species	H.S. Code	2003		2004	
		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	0	0
Roes/AK Pollack, frozen	0303.80.2010	841	1	2,187	21
Other Roes, frozen	0303.80.2090	341	8	447	12
Livers, dried, salted	0305.20.1000	0	0	7	0
Roes, dried	0305.20.2000	0	0	0	0
Roes, smoked	0305.20.3000	0	0	0	0
Roes/pollack, salted	0305.20.4010	122	30	81	17
Roes/Yellow Corniva, salted	0305.20.4020	1	1	0	0
Roes/Herrings, Dried	0305.20.4030	0	0	0	0
Other roes, Salted	0305.20.4090	81	1	34	1
Sea Urchin, Fresh	0307.91.9010	84	0	48	0
Caviar	1604.30.1000	0	0	0	0
Caviar, Substitute	1604.30.2000	3,174	127	3,102	80
Total		4,644	168	5,906	131

Source: Statistical Yearbook of Foreign Trade 2004, Korea Customs Service

Country Commodity	Korea, Republic of Flatfish, Whole/Eviscerated (MT)					
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [	Estimate[1]	IA Official [	Estimate[1]	IA Official [	Estimate[1]
Market Year Begin	01-2004		01-2005		01-2006	
Beginning Stocks	0	0	0	0	0	0
Total Production	35000	46195	39000	45000	0	45000
Intra-EC Imports	0	0	0	0	0	0
Other Imports	27000	23856	27000	26500	0	27000
TOTAL Imports	27000	23856	27000	26500	0	27000
TOTAL SUPPLY	62000	70051	66000	71500	0	72000
Intra-EC Exports	0	0	0	0	0	0
Other Exports	5000	7284	5000	6000	0	6000
TOTAL Exports	5000	7284	5000	6000	0	6000
Domestic Consumption	57000	62767	61000	65500	0	66000
Other Use/Loss	0	0	0	0	0	0
TOTAL Utilization	57000	62767	61000	65500	0	66000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	62000	70051	66000	71500	0	72000

Note: PSD Tables stand for Products Supply and Demand Tables

Export Trade Matrix

Country Korea, Republic of
Commodity Flatfish, Whole/Eviscerated

Time Period Units:

Exports for:

U.S. U.S.

Others Others

Japan	4,157	Japan	4,767
China	3,101	China	1,740
Eu	623	Spain	378

Total for Others 7881 6885

Others not Listed

Grand Total 8171 7284

Source: Statistical Yearbook of Foreign Trade 2004

Import Trade Matrix

Country Korea, Republic of

Commodity Flatfish, Whole/Eviscerated

Time Period Jan/Dec Units: MT

Imports for: 2003 2004

U.S. 2,745 U.S. 5,182

Others		Others	
Russia	6,138	Russia	8,817
China	2,654	China	2,955
Guinea	1,870	Guinea	2,780
EU	390	Spain	1,746
		Senegal	847

Total for Others 11052 17145

Others not Listed 1,609 1,529

Grand Total 15406 23856

Source: Statistical Yearbook of Foreign Trade 2004

Table 4: Korean Flatfish Production (Metric Tons)

Fishing Type	1999	2000	2001	2002	2003	2004
On and Off-Shore	21,248	17,030	16,210	15,638	14,908	13,775
Deep-Sea	443	258	33	32	258	279
Aquaculture	21,368	14,127	16,426	23,343	34,533	32,141
Total	43,059	31,415	32,669	39,013	49,699	46,195

Source: Statistical Yearbook of Ministry of Maritime Affairs and Fisheries 2005

Table 5: Korean Imports of Flatfish (Metric Tons)

Species	H.S. Code	2003		2004	
		World	U.S.	World	U.S.
Flat Fish, Live	0301.99.8000	914	0	565	0
Halibut, Fresh	0302.21.0000	0	0	0	0
Plaice, Fresh	0302.22.0000	17	0	33	0
Sole, Fresh	0302.23.0000	16	0	5	0
Other, Fresh	0302.29.0000	107	0	84	0
Halibut, Frozen	0303.31.0000	69	0	97	3
Plaice, Frozen	0303.32.0000	1,846	856	2,781	653
Sole, Frozen	0303.33.0000	1,384	1,889	1,881	0
Others, Frozen	0303.39.0000	11,053	2,745	18,410	4,526
Total		15,406	2,745	23,856	5,182

Source: Statistical Yearbook of Ministry of Foreign Trade 2004

Table 6: Korean Exports of Flatfish (Metric Tons)

Species	H.S. Code	2003		2004	
		World	U.S.	World	U.S.
Flat Fish, Live	0301.99.8000	4,038	1	4,534	0
Halibut, Fresh	0302.21.0000	16	2	6	0
Plaice, Fresh	0302.22.0000	19	0	26	0
Sole, Fresh	0302.23.0000	2	0	2	0
Other, Fresh	0302.29.0000	10	0	2	0
Halibut, Frozen	0303.31.0000	109	0	85	0
Plaice, Frozen	0303.32.0000	693	0	47	1
Sole, Frozen	0303.33.0000	413	0	356	0
Others, Frozen	0303.39.0000	2,871	4	2,226	4
Total		8,171	7	7,284	5

Source: Statistical Yearbook of Foreign Trade 2004, Korea Customs Service

PSD Table

Country Commodity	Korea, Republic of Groundfish, Whole/Eviscera ^l (MT)					
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [	Estimate[^l)A	Official [	Estimate[^l)A	Official [	Estimate[^l
Market Year Begin	01-2004		01-2005		01-2006	
Beginning Stocks	0	0	0	0	0	0
Total Production	30000	32657	29000	30000	0	30000
Intra-EC Imports	0	0	0	0	0	0
Other Imports	210000	210715	300000	250000	0	260000
TOTAL Imports	210000	210715	300000	250000	0	260000
TOTAL SUPPLY	240000	243372	329000	280000	0	290000
Intra-EC Exports	0	0	0	0	0	0
Other Exports	10000	15550	10000	15000	0	15000
TOTAL Exports	10000	15550	10000	15000	0	15000
Domestic Consumption	230000	227822	319000	265000	0	275000
Other Use/Loss	0	0	0	0	0	0
TOTAL Utilization	230000	227822	319000	265000	0	275000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	240000	243372	329000	280000	0	290000

Note: PSD Tables stand for Products Supply and Demand Tables

Export Trade Matrix

Country Korea, Republic of
Commodity Groundfish, Whole/Eviscerated

Time Period	Jan/Dec	Units:	
Exports for:	2003		2004
U.S.	231	U.S.	234
Others		Others	
China	11,491	China	11,135
New Zealand	1,845	New Zealand	1,795
EU	1,085	Russia	822
Russia	1,129	Japan	421
Japan	219		
Total for Others	15769		14173
Others not Listed	614		1,143
Grand Total	16614		15550

Source: Statistical Yearbook of Foreign Trade 2004

Import Trade Matrix

Country Korea, Republic of

Commodity Groundfish, Whole/Eviscerated

Time Period **Jan/Dec** Units: **MT**

Imports for: **2003** **2004**

U.S. **13,036** U.S. **8,984**

Others Others

Russia	224,858	Russia	144,720
Japan	26,406	Japan	43,545
China	6,258	China	7,635
		Netherlands	2,260

Total for Others 257522 198160

Others not Listed **5,650** **3,571**

Grand Total 276208 210715

Source: Statistical Yearbook of Foreign Trade 2004

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

Source: Statistical Yearbook of Ministry of Maritime Affairs and Fisheries 2005

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

Species	H.S. Code	2003		2004	
		World	U.S.	World	U.S.
Cod, Fresh	0302.50.0000	2,262	105	2,705	31
Alaska Pollack, Fresh	0302.69.1000	18,228	0	18,715	0
Cod, Frozen	0303.60.0000	17,113	6,477	13,139	3,426
Hake, Frozen	0303.78.0000	1,715	0	2,996	24
Alaska Pollack	0303.79.1000	230,628	5,788	161,973	3,896
Rockfish(ocean perch)	0303.79.9070	5,407	666	7,731	1,607
Alaska Pollack, Dried	0305.59.3000	855	0	3,456	0
Total		276,208	13,036	210,715	8,984

Source: Statistical Yearbook of Foreign Trade 2004, Korea Customs Service

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

Species	H.S. Code	2002		2003	
		World	U.S.	World	U.S.
Cod, Fresh	0302.50.0000	0	0	0	0
Alaska Pollack, Fresh	0302.69.1000	3	3	0	0
Cod, Frozen	0303.60.0000	3,274	0	1,778	38
Hake, Frozen	0303.78.0000	1,951	0	3,155	0
Alaska Pollack	0303.79.1000	10,879	134	10,118	126
Rockfish (ocean perch)	0303.79.9070	394	0	304	0
Alaska Pollack, Dried	0305.59.3000	113	94	195	70
Total		16,614	231	15,550	234

Source: Statistical Yearbook of Foreign Trade 2004

Country Commodity	Korea, Republic of Surimi (MT)					
	2004 USDA Official [	Revised Estimate[1]	2005 A Official [	Estimate Estimate[1]	2006 A Official [	Forecast Estimate[1]
Market Year Begin	01-2004		01-2005		01-2006	
Beginning Stocks	0	0	0	0	0	0
Total Production	5000	11040	3500	5000	0	4500
Intra-EC Imports	0	0	0	0	0	0
Other Imports	100000	104189	110000	110000	0	115000
TOTAL Imports	100000	104189	110000	110000	0	115000
TOTAL SUPPLY	105000	115229	113500	115000	0	119500
Intra-EC Exports	0	0	0	0	0	0
Other Exports	1000	835	500	500	0	500
TOTAL Exports	1000	835	500	500	0	500
Domestic Consumption	104000	114394	113000	114500	0	119000
Other Use/Loss	0	0	0	0	0	0
TOTAL Utilization	104000	114394	113000	114500	0	119000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	105000	115229	113500	115000	0	119500

Note: PSD Tables stand for Products Supply and Demand Tables

Export Trade Matrix

Country	Korea, Republic of	
Commodity	Surimi	
Time Period	Jan/Dec	Units: MT
Exports for:	2003	2004
U.S.	20	3
Others	Others	
China	375	Japan 450
Russia	41	China 203
Japan	25	Russia 161
Total for Others	441	814
Others not Listed	0	18
Grand Total	461	835

Source: Statistical Yearbook of Foreign Trade 2004

Import Trade Matrix

Country Korea, Republic of

Commodity Surimi

Time Period	Jan/Dec	Units:	MT
Imports for:	2003		2004
U.S.	32,512	U.S.	37,032
Others		Others	
Vietnam	25,751	Vietnam	24,385
China	15,843	China	22,759
Thailand	13,333	Thailand	9,464
Canada	3,461	Malaysia	4,561
Malaysia	3,643	India	2,674
India	3,181	Argentina	1,327
Total for Others	65212		65170
Others not Listed	1,625		1,987
Grand Total	99349		104189

Source: Statistical Yearbook of Foreign Trade 2004

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

Source: Statistical Yearbook of Ministry of Maritime Affairs and Fisheries 2005

Table 11: Korean Import of Surimi (Metric Tons)

Species	H.S. Code	2003		2004	
		World	U.S.	World	U.S.
Alaska Pollack	0304.90.1010	28,916	27,915	35,051	34,690
Others	0304.90.1090	70,433	4,595	69,138	2,342
Total		99,349	32,512	104,189	37,032

Source: Statistical Yearbook of Foreign Trade 2004, Korea Customs Service

Table 12: Korean Export of Surimi (Metric Tons)

Species	H.S. Code	2003		2004	
		World	U.S.	World	U.S.
Alaska Pollack	0304.90.1010	205	20	797	3
Others	0304.90.1090	256	0	38	0
Total		461	20	835	3

Source: Statistical Yearbook of Foreign Trade 2004, Korea Customs Service

SECTION III: NARRATIVE ON SUPPLY AND DEMAND & MARKETING

Production

Korean fish production was 2.52 million metric tons in 2004, only a 1.3 percent increase from the previous year. This includes 1.08 million tons in on/off shore fishing, 918,000 tons in shallow sea aquaculture (826,000 tons in 2003), 499,000 tons in deep-sea fishing (544,591 tons in 2003) and 25,000 tons in fresh water fishing (19,680 tons in 2003). In 2004, production in on/off shore fishing and deep-sea fishing decreased while production in shallow sea aquaculture and fresh water increased significantly.

Table 13: Korean Fishery Production by Year

Year	Volume
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

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2004

Production of aqua-cultured seaweeds was the main contribution to an increase in total production in 2004 over 2003. This result is ascribed to the Korean government's strong policy to focus on aquaculture in shallow sea areas and production in inland waters to cope with the depletion of fishery resources in the adjacent water and restrictions in neighboring countries' waters and favorable weather condition. The production in deep-sea and on/off shore will continue to decline in the future.

To protect select domestic seafood, mainly from China, the Korean government has used the higher adjustment tariffs ranging from 27 to 70 percent for 11 fish species. The normal applicable tariffs are between 10 percent and 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 2005, which allows Korean vessels to catch 68,000 tons inside China's EEZ and in return, Chinese vessels can catch 77,500 tons in the Korean zone.

The Ministry of Maritime Affairs and Fisheries (MOMAF) established 215,983 tons as the Total Allowable Catch (TAC) for 2005 by species as listed below. There are further restrictions such as limited catch seasons for some species, number of fishing boats and fishing methods.

Table 14: Total Allowable Catch for 2005

Species	2004 (MT)	2005 (MT)
Mackerel	155,000	160,000
Jack mackerel	10,000	12,000
Sardines	5,000	5,000
Large red crab	21,000	21,000
Purplish Washington clams	8,000	7,000
Pen shells	2,500	2,300
Top shells	2,158	1,683
Snow crabs	13,000	6,000
Total	217,650	215,983

The total catch quota for all types of fish purchased by the Korean government from the Russian government in 2005 was 32,250. The 2005 catch quotas with Russia include 20,500 tons for Alaska pollack, 2,650 tons for cod, 2,500 tons for saury, 6,000 tons for squid and 600 tons for sting ray. Russia is expected to reduce the catch quota for foreign countries even further in the future, and will likely keep foreign fishing boats from catching fish in Russian waters in the foreseeable future.

Constraints built into bilateral and multilateral fishing accords will further impact total harvest from on/off-shore fishery zones. On/off-shore fish species consist mainly 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.

It should be noted that the PSD Tables represent only a small part of Korea's supply and demand picture. For example, the combined seafood production for the 4 PSD Tables

accounts for only about 4 percent of Korea's total seafood production; combined imports accounts for about 28 percent of total seafood imports, and combined exports accounts for only 7 percent of total seafood exports. This means that although total seafood production will decline, some species including some of those included in the PSD Tables may increase.

Consumption

The "Monthly Statistics of Korea" (July 2005 Issue) shows that the average monthly household expenditure in cities on fishery products was \$31 in 2004. The Korean Food Journal reported that annual per capita seafood consumption in Korea was 45.5 Kg in 2002. The largest species that Koreans consumed were, in order, Alaska Pollack (374,000 tons), squid (332,000 tons), mackerel (156,000 tons), hair tail (115,000) and yellow corvina (69,000) in 2004. 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.

Koreans prefer fish in this order: live fish, fresh fish and lastly, frozen fish. Some live fish is used for raw fish (Hoi, or sashimi), and is charged a premium, fresh fish when cooked tastes better than frozen fish, and the price is almost always higher than for frozen fish.

These days more young wives are engaged in work. So they tend to seek convenience food and like to buy 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 cut down their cost as much as possible as they are fiercely competing with each other.

Food safety is a very important issue. Detection of any disease in fishery products and/or chemical residues found in aqua-cultured seafood will seriously affect local seafood consumption immediately. The recent "Malachite Green" issue seriously reduced or stopped consumption of aqua-cultured Israel carp and trout in Korea. Malachite Green has been used in aquaculture and the residue has been detected in aqua-cultured Israel carp and trout recently. The Malachite Green residue is known to be a cancer causing substance. This kind of issue will further affect consumption of other fishery products too.

Trade

Korea is the world's 11th largest economy, the 9th largest exporter and the 13th largest importing country. Korea's economy, which grew 4.6 percent in 2004, is slowing under the weakening pace of export growth and the rising value of the Korean Won. It is forecast that GDP growth in 2005 will be around 4 percent. The overall performance of the Korean seafood market will depend greatly on production and consumption. Due to the depletion of fish resources, 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, but with that comes higher prices. Fortunately, the major species imported from the U.S. are the species that Koreans enjoy and our competitors do not supply in quantities. Table 15 below shows the major species imported to Korea from the U.S. and the world.

Table 15: Major Species of Fish Imported from the U.S. in 2004 (US\$ 1,000)

Fish Species	From USA	From World
Pollack surimi, frozen	48,380	48,969
Angler, frozen	21,581	50,250
Roes of Pollack, frozen	8,687	69,879
Cod, frozen	4,953	16,104
Hagfish, frozen	4,608	7,481
Other flat fish, frozen	4,098	20,256
Alaska Pollack, frozen	4,034	135,533
Atka mackerel, frozen	3,826	15,970
Lobsters, other than frozen	3,158	23,187
Other surimi, frozen	3,024	62,834
Skate, frozen	2,493	19,275
Ray, frozen	2,186	11,995
Other roes, frozen	1,837	6,248
Rock fish, frozen	1,768	7,984
Prepared sea cucumber	1,461	5,222
Angler, fresh	1,247	2,254
Abductors of shell fish, frozen	1,138	4,099
Alaska Pollack fillet, frozen	1,110	31,422
Mackerel, frozen	1,030	43,444
Shrimps and prawn, peeled	872	43,412
Sable fish, frozen	809	843
Shrimps and prawns, prepared, other than smoked and breaded	770	29,504
Sardines, frozen	712	5,986
Plaice, frozen	619	2,991
Lobster, frozen	589	2,575
Plaice fillet, frozen	534	867
Salmon, dried, salted or smoked	467	640
Shrimps and prawns other than peeled, frozen	414	64,309
Rock lobster and other sea crawfish, frozen	370	3,004
Total	126,775	736,537

Source: Statistical Year Book of Foreign Trade 2004

Korea also exports a large volume of fish products. In 2004, 406,435 metric tons valued at \$1.28 billion were exported, the smallest export volume figure in history. The major species exported to other countries in 2004 were tuna (\$250 million), squid (\$113 million), oysters (\$77 million), flat fish (\$55 million), and crabs (\$53 million). The largest seafood export market for Korea in 2004 was Japan at \$835 million, followed by China at \$124 million, the U.S. at \$81 million, EU at \$67 million, and New Zealand at \$45 million. These five countries accounted for about 90 percent of Korea's total seafood exports in 2004.

One of the pending issues involving U.S. fishery products with the Korean government is the 70% adjustment tariff applied to frozen croaker. The Korean tariff for croaker is "unbound" within the context of the World Trade Organization, meaning there is no ceiling on the rate.

Table 16: Applied Tariff Schedule for Fishery Products

Description	H.S. Code	2004 (%)	2005 (%)
Live Fish	0301 XX XXXX	10	10
Fish, Fresh or Chilled	0302 XX XXXX	20	20
Fish, Frozen	0303 XX XXXX	10	10
Fish Fillet/Fish Meat, FR/CH	0304 10 XXXX	20	20
Fish Fillet/Fish Meat, Frozen	0304 20 XXXX	10	10
Fish Surimi, Frozen	0304 90 XXXX	10	10
Fish, Dried/Salted/Smoked	0305 XX XXXX	20	20
Crustaceans	0306 except 0306.14.3000 and 0306.14.9000	20	20
Blue Crabs, frozen	0306.14.3000	14	14
Other crabs, frozen	0306.14.9000	14	14
Oyster Spat	0307 10 1010	5	5
Oyster	0307 10 XXXX	20	20
Scallops	0307 2X XXXX	20	20
Mussels	0307 3X XXXX	20	20
Cuttle Fish and Squid	0307 4X XXXX	10	10
Octopus	0307 5X XXXX	20	20
Snails (other than sea snails)	0307 60 0000	20	20
Other Mollusks	0307 9X XXXX	20	20
Fish Extracts and Juice	1603 XX XXXX	30	30
Fish, prepared, preserved	1604 XX XXXX	20	20
Crustaceans/Mollusks, prep/preserved	1605 XX XXXX	20	20

Source: Korea Customs Research Institute, Tariff Schedule of Korea, 2005

Table 17: Adjusted Tariff Schedule For Fishery Products

Description	H.S. Code	General (%)	2004(%)	2005(%)
Eel, Live	0301.92.xxxx	10	30	30a
Sea Bream, Live	0301.99.4000	10	50	45b
Sea Bass, Live	0301.99.9050	10	50	45
Croakers, Live	0301.90.9095	10	40	36
Alaska Pollack, Frozen	0303.79.1000	10	30	30
Saury, Frozen	0303.79.8000	10	40	40
Skate, Frozen	0303.79.9093	10	30	30
Croakers, Frozen	0303.79.9095	10	70	70
Shrimp, Not Peeled, Frozen	0306.13.9000	20	30	27
Shrimp, In Brine	0306.23.3000	20	55	55c
Squid, Frozen	0307.49.1020	10	30	30

a/ 30% or 1,908 Korean won per Kg., whichever is higher is applied.

b/ 50% or 3,292 Korean won per Kg., whichever is higher is applied.

c/ 55% or 363 Korean won per Kg., whichever is higher is applied.

*These adjustment tariffs have precedence over the applied tariffs described before.

Source: HS General Guide Book 2005

It is important to point out the discrepancy between U.S. BICO trade data and Korean Customs (KOTIS) trade data. U.S. BICO trade data show that U.S. exports of seafood products to Korea were \$341 million in 2004 while Statistical Yearbook of Ministry of Maritime Affairs and Fisheries 2005 shows imports of seafood from the U.S. were \$136 million in the same year.

? Korean importers purchase fish from the United States with open Letters of Credit with the product to be processed in China. The fish is shipped directly to China generally for transformation into fish fillet and imitation crabmeat. These processed products are then exported to Europe, the U.S. and Korea. The species for such processing are usually yellow fin sole, cod, Pacific Ocean perch, surimi and Alaska pollack. It is reported that the Koreans have a dozen fish processing plants in China, either wholly owned by Koreans or as joint venture companies with Chinese, as the cost of labor in China is lower than that in Korea.

? Korean importers store the imported product, such as pollack roe, in bonded warehouses and then re-export the product to Japan. Japanese buyers reportedly come to Busan and inspect the roe before they purchase. The storage prices are lower in Busan than in Seattle or Alaska.

? It is also reported that Japanese fish importers buy seafood, mostly surimi and pollack roes in the U.S, ship them to Busan, Korea, keep them in the bonded warehouses

without Customs clearance, and ship them to Japan later as needed or export to other countries including China as warehouse fees in Korea are lower than those in Japan.

? U.S. export figures are based on the FOB value and Korean import data is based on the CIF value.

? There is the time difference between departure from USA and arrival in Korea.

Competitors

Major suppliers of fishery products to Korea include China, Russia, Japan, Vietnam, the United States, Thailand and Taiwan. In 2004, these seven countries accounted for over 80 percent of total Korean seafood imports on a value basis. In 2004, China became the largest seafood supplier to Korea, followed by Russia and Japan.

Table 18: Imports of Fishery Products from Major Countries (MT, \$US 1,000)

Country	2002		2003		2004	
	Weight	Value	Weight	Value	Weight	Value
China	491,315	719,314	461,971	713,538	490,426	909,536
Russia	189,464	215,638	269,918	299,252	196,525	276,783
Japan	74,536	146,497	69,257	148,699	104,536	180,620
Vietnam	61,504	121,733	67,416	129,878	72,382	143,524
USA	89,603	173,774	82,485	152,677	79,283	136,225
Thailand	29,106	84,737	34,692	95,616	34,043	106,521
Taiwan	32,167	54,993	36,994	42,827	49,246	61,668
Others	218,705	367,731	215,870	378,658	254,474	446,479
Total	1,186,400	1,884,417	1,238,603	1,961,145	1,280,915	2,261,356

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2005

Table 19: Exports of Fishery Products to Major Countries (MT, \$US 1,000)

Country	2002		2003		2004	
	Weight	Value	Weight	Value	Weight	Value
Japan	179,069	823,117	150,155	740,447	155,566	834,649
China	44,290	48,345	55,708	70,769	68,073	124,102
EU	39,912	63,760	46,605	78,089	34,403	67,312
USA	25,462	77,625	22,964	80,385	20,947	81,130
New Zealand	18,395	21,167	26,170	30,487	31,884	44,544
Thailand	46,295	34,492	55,304	38,384	42,688	37,565
Taiwan	5,827	16,857	5,799	17,305	7,811	20,177
Others	70,634	75,072	62,080	73,519	45,063	69,159
Total	429,884	1,160,435	424,785	1,129,385	406,435	1,278,638

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2005

Since the implementation of the Korean/Chilean Free Trade Agreement (FTA), seafood imports from Chile increased by 23 percent to 42,000 tons in volume and 34 percent in value to \$44 million in value in 2004. The FTA allowed free Customs duties for 277 seafood products imported from Chile effective April 1, 2004, 88 seafood products in 5 years, and 41 seafood products in 10 years. For example, there will be no duty for frozen cod in 5 years. The duty last year was 8.3 percent for frozen cod imported from Chile. The Customs duty deduction will be prorated equally over the next 5 years. The current duty is 6.7 percent. The duty will be 5 percent in 2006, 3.3 percent in 2007, 1.7 percent in 2008, and no duty in 2009. The current seafood import volume from Chile is not large. However, importers are paying more attention to Chilean products, which include seafood, wine and other products because of lower tariffs compared to other countries. The effects of the FTA will be realized over the long term when the Customs duties decline further or become zero.

Table 20: Customs Duty Schedules for Some Seafood Products from Chile

Product	Current Customs duties	Duties for Chilean seafood in 2005	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%	6.7%	5 years equally
Cod/frozen	10%	6.7%	5 years equally
Sable fish/frozen	10%	6.7%	5 years equally
Angler fish/frozen	10%	6.7%	5 years equally
Croaker/frozen	70%	46.7%	5 years equally
Fish roes/frozen	10%	6.7%	5 years equally
Sardines/frozen	10%	8.2%	10 years equally
Pollack/frozen	30%	24.5%	10 years equally
Skate/frozen	35%	28.6%	10 years equally

Source: Tariff Schedules of Korea 2005

Marketing

Imports of seafood are relatively easy compared to other food and agricultural products, as no special certificates are required. 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 30 species in Korea from the U.S. account for 93 percent of total seafood imports from the U.S. in 2004. This means that U.S. exporters should supply the species consumers prefer, and at the same time should also try to invest in developing this market for other species. Although there is no market for some species at present, there may be good potential for them as time passes by. For instance, many years ago, Jerk filefish was a big by-catch in

Korea, people did know what to do with it, and used to throw it away as there was no demand for it. However, it was processed into a prepared, preserved, flat, dried product and flavored and it is now served as a snack food. Consumers started to enjoy it very much, and the demand far exceeded the local supply. So, people started to import it. Imports of prepared, preserved Jerk filefish were about \$30 million in 2004, 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, US state departments of agriculture, the USATO website and the US 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 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 2005 will be held in Busan at the BEXCO, November 24-27, 2005. It presents an excellent opportunity to explore possible market opportunities in Korea. This show targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc. It is currently the only USDA-supported seafood show in Korea. The one drawback to this show is that it is held during the American Thanksgiving holiday, but in the future it is likely that the show will be held one week before or after Thanksgiving.

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

Fax: 82-2-720-7921

E-mail: atoseoul@usda.gov

Home Page: www.atoseoul.com

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, the U.S. Suppliers Service is a searchable database of over 5,000 U.S. exporters and their products, which is used by USDA/FAS to help facilitate connecting potential buyers with U.S. suppliers. This database is used by more than 85 USDA FAS Overseas offices, such as the ATO in Seoul, Korea to help export agents, trading companies, importers and foreign market buyers locate U.S. suppliers. It is also used to recruit U.S. exporters to participate in market development activities sponsored by USDA and federal export programs.

You can register online for this service at

<http://www.fas.usda.gov/agexport/exporter.html>

Appendix

Table 1: Korean Fishing Fleet (Vessel, Gross/Tons)

2001		2002		2003		2004	
Number	Capacity	Number	Capacity	Number	Capacity	Number	Capacity
94,935	884,853	94,388	816,563	93,257	754,440	91,608	724,979

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2005

Table 2: Korean Fishery Production by Group of Species and Fisheries: 2004 (MT)

Types of Seafood	On/off Shore	Shallow Sea Aquaculture	Deep-Sea	Fresh Water	Total
Fish	672,227	64,476	400,134	20,415	1,157,252
Crustaceans	57,110	2,426	25,648	78	85,262
Mollusks	332,768	304,889	73,618	4,670	715,945
Seaweed & others	14,582	545,924	0	136	560,642
Total	1,076,687	917,715	499,400	25,299	2,519,101

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2005

Table 3: Korean Production of Processed Fishery Products by Group (Metric Tons)

Product	2000	2001	2002	2003	2004
Dried/Salted/Cooked	33,794	45,364	42,014	26,724	52,353
Preserved/Pickled	57,131	48,076	42,598	37,381	34,626
Canned	50,404	80,569	83,040	80,608	159,638
Frozen	1,042,648	1,128,026	996,482	1,030,184	1,053,077
Dried Seaweed	47,662	79,732	82,946	28,511	71,265
Agar-Agar	961	361	397	347	458
Ground Fish Meat	166,682	94,079	87,015	91,121	96,581
Flavor Seasoned	14,532	17,250	19,343	21,501	22,486
Fish Meal and Oil	37,732	36,013	19,843	13,924	8,797
Others	13,546	17,369	64,996	27,416	29,514
Total	1,465,092	1,546,839	1,438,677	1,357,717	1,528,795

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2005