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Hay Product Market Brief

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Product Brief

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Report Highlights:

Korea's imports of hay product totaled \$332 million in 2012 up 10.4 percent from the previous year. The United States remained the dominant supplier of imported hay product to Korea by accounting for 80 percent of the imports. Korea should remain an excellent market for American hay product in the coming years as it is firmly positioned in the Korean market with an image of high quality and consistency. In addition, import tariffs on American hay product will be reduced under the KORUS FTA implemented in 2012.

General Information:

Section I. Market Overview

1. United States is the **dominant supplier** of imported hay product to Korea.

- Korea's imports of hay product totaled \$332 million in 2012, up 10.4 percent from the previous year. In terms of volume, Korea's imports of hay product totaled 1,153,791 metric tons, up 11 percent from the previous year.
- Imports from the United States in 2012 totaled \$256 million, up 10 percent from the previous year. In terms of volume, imports of American hay product totaled 855,611 metric tons, up 9.8 percent from the previous year. United States accounted for an 80 percent total hay product Korea imported. American hay is firmly positioned in the Korean market with an image of high quality and consistency.

2. Most of the imported hay product is for **beef and dairy cattle industry**.

- Most of the imported hay product is used by beef & dairy cattle industry in Korea as feed. As of 2012, Korea had a total of 3.1 million beef cattle and 420,000 dairy cows.

3. Korea produces a **significant amount of hay product locally**.

- Imported hay product accounted for a 17.4 percent of total hay product supplied in Korea in 2011. A total of 5.5 million metric tons of hay product was locally produced.

4. Korea relies heavily on imports for **high quality hay product**.

- However, a majority of the locally produced hay product remains low quality product, mainly rice and barley straw. Rice and barley straw accounted for a 51.4 percent of the total hay product produced in Korea in 2011.
- Local production of high quality hay product is not likely to increase in the near future despite strong government support program.

5. Demand for imported hay will **continue to grow**.

- The demand for imported hay product should increase in the coming years as more Korean livestock farmers understand the value and quality of feeding high quality hay product.

6. **KORUS FTA** provides new opportunities American suppliers.

- Import tariffs on American hay products were scheduled to phase out under the KORUS FTA implemented in 2012. KORUS FTA has also set a 200,000 MT of zero-duty TRQ on American other hay product. In addition, for 2013, Korean Government has set a total of 660,000 MT of voluntary zero-duty TRQ on hay product

Section II. Market Sector Opportunities & Challenges

Opportunities	Challenges
American hay product has developed a firm recognition in Korea for its high quality and consistency	Many Korean farmers have limited knowledge and experience about high-quality hay product.
The demand for high quality hay product should continue to grow	Korean government promotes local

in Korea. However, most of the locally produced hay product remains low quality product by nature.	production of hay product
Import tariffs on American hay product will be reduced under the KORUS FTA. In addition, Korean Government offers a high amount of voluntary zero duty TRQ on hay product.	Importations and distributions of hay product are subject to a quota barrier

Section III. The Korean Hay product Market

1. Domestic Production

- Total amount of hay product supplied in Korea was 6.5 million metric tons (MT) in 2011, up 30 percent from the previous year. Locally produced product accounted for 82.6 percent of the total hay product supplied in 2011. Because of Korean government's policy to increase hay production in Korea, hay production in Korea has shown steady increase over the years.

Table 1: Supply of Hay Product in Korea

	Domestic Production (A)	Import(B)	Total (A+B)	Percentage of Import (B/A)
2000	2,793	599	3,392	17.7
2001	3,284	597	3,881	15.4
2002	3,202	643	3,845	16.7
2003	3,399	655	4,054	16.2
2004	3,393	691	4,084	16.9
2005	3,432	699	4,131	16.9
2006	3,465	757	4,222	17.9
2007	3,618	999	4,617	21.6
2008	4,107	947	5,054	18.7
2009	4,374	830	5,204	16
2010	4,127	906	5,033	18
2011	5,577	971	6,548	17.4

Source: Ministry for Food, Agriculture, Forestry and Fisheries, 2011
Unit: 1,000MT, %

- But, most of the locally produced hay product remains low quality product such as rice straw mainly due to unfavorable growing conditions. Rice straw accounted for 51.4 percent of the hay product in 2011.

Table 2: Domestic Production of Hay Product

	Domestic Production			
	*Feed Vegetable	Feed Hay	Rice Straw	Total
2000	628	364	1,801	2,793
2001	786	352	2,146	3,284
2002	852	350	2,000	3,202
2003	906	343	2,150	3,399
2004	906	315	2,172	3,393
2005	990	308	2,134	3,432
2006	1,032	294	2,139	3,465
2007	1,200	290	2,128	3,618
2008	1,506	286	2,315	4,107

2009	1,821	280	2,272	4,373
2010	1,597	273	2,257	4,127
2011	1,732	273	2,119	4,124

Source: Ministry for Food, Agriculture, Forestry and Fisheries, 2011

Unit: 1,000MT

* Feed vegetable: Corn, Rape etc.

2. Imports of Hay Product

- Korea's imports of hay product totaled \$332 million in 2012, up 10.4 percent from the previous year. In terms of volume, Korea's imports of hay product totaled 1,153,791 metric tons, up 11 percent from the previous year.
- United States was the dominant supplier with \$256 million in 2012, up by 10 percent from the previous year. In terms of volume, imports of American hay product totaled 855,611 metric tons, up 9.8 percent from the previous year. United States accounted for an 80 percent total hay product Korea imported. American hay is firmly positioned in the Korean market with an image of high quality and consistency.

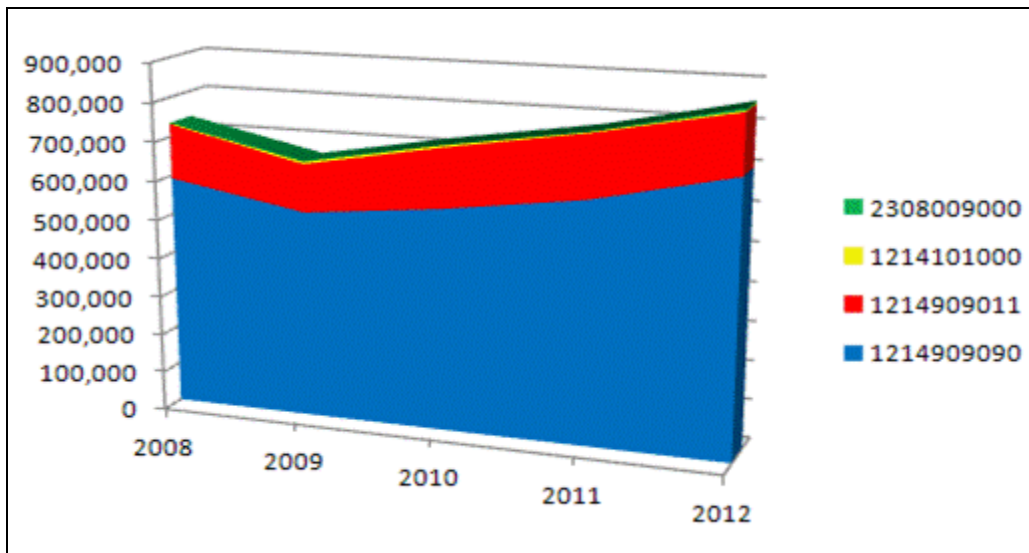
Table 3: Korea's Imports of Hay Product by Country

Country	2008		2009		2010		2011		2012	
	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume
Total	280,376	1,009,599	201,778	889,551	249,512	959,453	300,691	1,038,034	331,934	1,153,791
U.S.A	217,865	735,385	155,817	661,465	197,164	724,298	230,730	779,331	255,575	855,611
China	26,584	150,456	16,651	114,642	17,488	102,258	21,296	109,603	17,510	101,118
Australia	26,284	83,518	25,084	96,416	32,892	121,238	41,323	123,185	45,674	145,292
Canada	7,245	20,784	2,445	7,211	122	341	4,302	11,434	8,353	27,187
Others	1,884	16,962	1,725	8,575	1,784	11,065	3,016	13,340	4,577	21,620

Source: The Korea International Trade Association, KITA

Unit: US \$1000, MT

Figure 1: Korea's imports of American hay product by product (HSK Code)

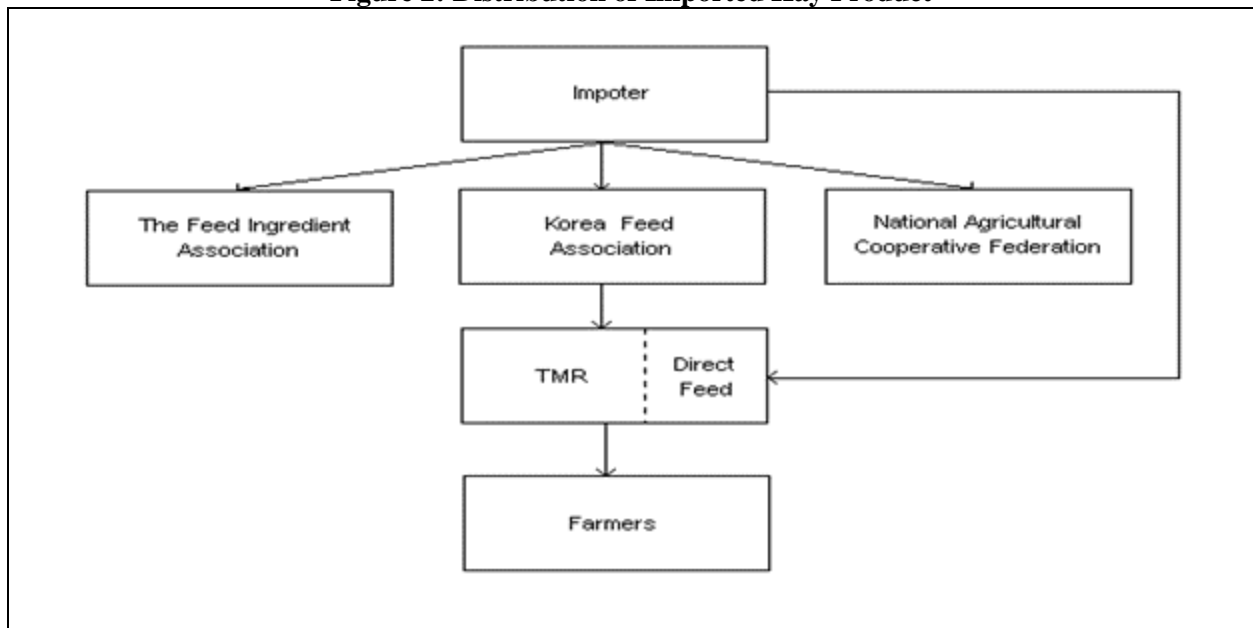


Source: The Korea International Trade Association, KITA
Unit: MT

3. Distribution Channel

- Imports of hay product are subject to a TRQ barrier. Hay product imported outside the TRQ is subject to a restrictively high import duty. The set TRQ for the given year is allocated through three industry organizations.
- About 80 percent of imported hay is processed by TMR(Total Mixed Ration) feed company before being distributed to the farmers. The rest 20 percent is distributed as direct feed.

Figure 2: Distribution of Imported Hay Product



4. Korean Cattle Industry

- Korea maintains a sizable number of cattle for meat and dairy supply. As of 2012, number of beef and dairy cattle totaled 3,479,000. Most of hay product, both locally produced and imported, is used in the

cattle industry for feed. Another industry that uses hay product is mushroom growers.

Table 4: Korean Cattle Industry

	1990	1995	2000	2005	2010	2011	2012
Beef cattle	1,622	2,594	1,590	1,819	2,922	2,968	3,059
Dairy cow	504	553	544	479	430	404	420
Total	2,126	3,147	2,134	2,298	3,352	3,372	3,479

Source: Korea Statistics Office

Unit: 1,000

Section IV. Market Access

1. Tariffs and TRQs

1) Tariffs

- Below table summaries tariff reductions on American hay product imported into Korea under the KORUS FTA.

Table 5: Tariff Phase-out Schedule

HSK 10	Description	Base Rate	2012	2013	2014	Duty Free on January 1 of
1214101000	Lucerne (alfalfa) meal and pellets, For feeding	1%	0.8%	0.6%	0.4%	2016
1214109000	Lucerne (alfalfa) meal and pellets, Other	10%	8%	6%	4%	2016
1214901000	Fodder Roots	100.5%	93.8%	87.1%	80.4%	2026
1214909011	Other Lucerne (alfalfa bale), For feeding	1%	0.8%	0.6%	0.4%	2016
1214909019	Other Lucerne (alfalfa bale), Other	18%	14.4%	10.8%	7.2%	2016
1214909090	Other	100.5%	93.8%	87.1%	80.4%	2026
2308009000	Other	46.4 %	41.76%	37.12%	32.48%	2021

- KORUS FTA has set a 200,000 MT of zero-duty TRQ on ‘Other’ hay (HSK 1214909090). Between 2012 and 2025, and quantity over 200,000 MT will have tariff indicated in the table above. From January 1, 2026, the tariff on quantity over 200,000 MT will dissolve and the duty-free quantity will be unlimited.

2) Voluntary TRQ in 2013

- Below table summarizes voluntary TRQ announced by Korean government for year 2013 which is subject to zero duty import tariff. Korean government has set a total of 660,000 MT voluntary zero-duty TRQ on ‘Fodder Roots’ and ‘Other’ hay (1214.90 & 2308.00).

Table 6: Voluntary TRQ in 2013

HSK code	Product	Zero-duty TRQ
1214.10	Lucerne (alfalfa) meal and pellets, For feeding, Other	No limitation
1214.90	Other Lucerne(alfalfa bale), For feeding	No limitation
1214.90	Fodder Roots,	660,000 tons

2308.00	Other Lucerne(alfalfa bale), Other	(600,000 tons for feed & 60,000 tons for mushroom growing)
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2. Korean Industry Organization

There are 3 industry organizations that represent hay importers in Korea, Korea Feed Ingredient Association, Korea Feed Association and National Agricultural Cooperative Federation. These organizations should be a source for updated information about TRQ allocations and importer contacts.

- Korea Feed Ingredients Association
20-1, 3-gil, Seoriful, Seocho 1-dong, Seocho-gu, Seoul, Korea 137-879
Phone: +82-2- 585-2223
Fax: +82-2- 588-8297
Email: kfeedia@kfeedia.org
www.kfeedia.org
- Korea Feed Association
KFA BLDG, 1581-13 Seocho-dong, Seocho-gu, Seoul, Korea 137-875
Phone: +82-2-581-5721
Fax: +82-2-3474-8429
Email: plan@kofeed.org
www.kofeed.org
- National Agricultural Cooperative Federation
Saemunan-gil 91, Chung-gu, Seoul Korea 110-070
Phone: +82-2-2080-5114
<http://www.nonghyup.com>

3. Export Certification

- The only document requires for the American supplier to export hay to Korea is the Phytosanitary certificate obtained from Animal Plant and Healthy Inspection Service (APHIS). Exporters needing a phytosanitary certificate should contact the APHIS Plant Protection and Quarantine (PPQ), Phytosanitary Issues Management (PIM) Staff at 301-734 8262. To find the APHIS office location in your state go to www.aphis.usda.gov.

4. Inspections in Korea

- All imported hay product is subject to inspections by Korean authority, including QIA(Quarantine Inspection Agency), Korea Food and Drug Administration(KFDA).
- Presence of foreign materials, including dust, soil and bugs, has been a most common reason that imported hay shipment failed inspections in Korea. Rejected shipment is either destroyed on site or shipped back to the exporter
- Another key issue that results in rejection is presence of forbidden product in the shipment. Barley grass (Hordeum), wheat grass (Triticum), rye grain (Secale), crested wheat grass (Agropyron), and other grass species (Triticosecale) in hay product are prohibited in Korea.

Section V. KEY CONTACTS AND FURTHER INFORMATION

For further information about the Korean agricultural market, please contact:

U.S. Agricultural Trade Office Seoul	Agricultural Affairs Office, U.S. Embassy Seoul
Korean Address: Room 303, Leema Building, 146-1, Susong-dong, Jongro-gu, Seoul, Korea U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550 Ph: 82-2 397-4188 Fax: 82-2 720-7921 E-mail: atoseoul@fas.usda.gov Internet homepage: www.atoseoul.com	Korean Address: U.S. Embassy, 82, Sejong-ro, Jongro-gu, Seoul, Korea U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-AgAff, APO, AP 96205-5550 Ph: 82-2 397-4297 Fax: 82-2 738-7147 E-mail: agseoul@usda.gov

For more information on how you can register for USDA/FAS' Supplier List:

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. 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 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/agx/partners_trade_leads/us_suppliers_list.asp

For further information about sanitary and phytosanitary requirements, please contact:

U.S. Animal Plant and Health Inspection Service Seoul (APHIS)
Korean Address: Room 303, Leema Building, 146-1, Susong-dong, Jongro-gu, Seoul, Korea U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-APHIS, APO, AP 96205-5550 Telephone: 82-2 725-5495 Fax: 82-2 725-5496 E-mail: yunhee.kim@aphis.usda.gov Internet Homepage: www.aphis.usda.gov

For information about financial supports and export aid programs offered by Strategic Trade Regional Groups, please contact:

Food Export Association of the Midwest USA	Western United States Agricultural Trade Association (WUSATA)
309 W. Washington St., Suite 600 Chicago, Illinois 60606 Telephone: 312-334-9200 Fax: 312 334-9230 E-mail: thamilton@foodexport.org Website: www.foodexport.org	2500 Main Street, Suite 110, Vancouver, WA 98660-2697, USA Telephone: 360-693-3373 Fax: 360-693-3464 E-mail: janet@wusata.org Website: www.wusata.org
Food Export USA – Northeast Region of the United States	Southern United States Agricultural Trade Association (SUSTA)
150 S. Independence Mall West, 1036 Public Ledger Building Philadelphia, PA 19106, USA Telephone: 215-829-9111	2 Canal Street Suite 2515, New Orleans, LA 70130, USA Telephone: 504-568-5986 Fax: 504-568-6010

Fax: 215-829-9777 E-mail: jcanono@foodexportusa.org Website: www.foodexportusa.org	E-mail: jim@susta.org Website: www.susta.org
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