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Korea, Republic of

Agricultural Situation

Economic and Agricultural Overview

2004

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Report Highlights:

The South Korean economy in the 2nd half of 2004 is expected to grow at less than the five percent predicted due to weak domestic demand and a projected slowdown in exports. According to Korean import statistics, \$3.5 billion of agricultural, fish and forest products were imported from the United States in 2003. Imports from the U.S. for 2004 are forecast at similar levels. Korea has one of the most protected agricultural economies in the world.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
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[KS]

I. Economic Situation

A. Current state of the economy

The South Korean economy in the 2nd half of 2004 is expected to grow at less than the 5 percent predicted due to weak domestic demand and a projected slowdown in exports. However, even at the revised, discounted economic growth rate, Korea is likely to remain one of the fastest growing economies among OECD¹ nations. Morgan Stanley, a global investment bank, forecasts gross domestic product (the economy's output) at 4.6 percent for 2004 and 3.8 percent for 2005.

Exports of cars, computer chips and cell phones to China, the United States and Japan have shown steady growth since December 2003 and remain Korea's main economic growth sectors. However, the overall attractiveness of South Korea's business climate is uninspiring, with labor relations problems and rising land prices diminishing the nation's competitiveness. Consumers are also pessimistic about the economy due to rising oil prices, slow employment growth, and the household credit card debt problem.

B. Policy Environment

Korea has one of the most protected agricultural economies in the world, consisting of high production prices, supported by government purchases, and high tariffs that protect politically powerful domestic producers from import competition. This is unlikely to change in any significant way in the near future, as Koreans are very sympathetic toward the farm sector and are very supportive of government protection for agriculture. In general, tariffs are higher for commodity items, especially if taking into account quotas, while processed, consumer-oriented products are subject to lower tariffs. In addition, imports often face non-tariff barriers, such as excessive and non-transparent entry documentation requirements.

To keep the livestock, flour milling and export-oriented industries of textile, garment, and leather goods in operation, however, Korea must import large quantities of feed grains, soybeans, wheat, cotton and hides. These goods are allowed to enter into Korea relatively low duties.

For more information about entry requirements, please review "Korea's Food and Agricultural Import Regulations and Standards" Gain report (KS4039) updated on July 30, 2004. This report and others are available on the FAS website (<http://www.fas.usda.gov/scriptsw/attacherep/default.asp>).

C. Trade Agreements

A new special committee to advise President Roh on free trade agreements (FTA's) and other external economic policies like the Doha Round WTO talks and rice negotiations was newly launched on August 30 under the Presidential Economic Advisory Council (PEAC).

Korea has already signed a free trade agreement (FTA) with Chile, and now is engaging in further FTA talks with Singapore and Japan. The second FTA is likely to be with Singapore as the two countries agreed to sign a trade pact by the end of 2004. The tariff elimination details have not yet been worked out. The government is also studying the feasibility of FTAs with ASEAN countries and European Free Trade Association (Switzerland, Norway,

¹ Organization for Economic Cooperation and Organization

Iceland and Lichtenstein). It is unclear what impact these FTAs will have on agricultural products, as many of them exclude products produced domestically.

II. Agricultural Situation

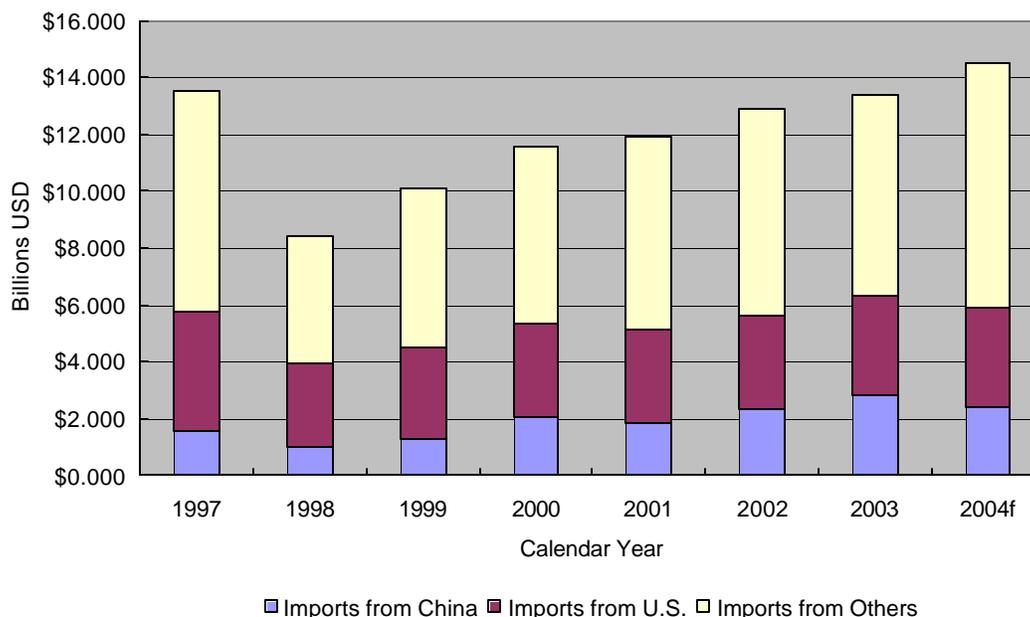
A. Overall Agricultural Situation

South Korea is roughly the size of the state of Indiana (99,900 square kilometers) with a population of 48 million. By comparison, Indiana has a population of one million. Because it is so mountainous, only 18.6 percent of the total land mass is available for agricultural production. The number of people employed in agricultural, forestry and fisheries has declined rapidly over the past forty years from 58.5 percent in 1965 to only 8.8 percent in 2003. However, the total number of farmers is still more than France, Germany and the United Kingdom combined. More than half of Korea’s farmers are well into their 60’s. Despite numerous government attempts over the years to consolidate farms into larger ones, the average household still only holds 1.45 hectares (3.6 acres).

Korea depends on imports for about 70 percent of its food and feed consumption. The demand for imported food products is expected to continue to increase as rising affluence and changing lifestyles foster greater consumption of diverse and international cuisines.

The Korean food sector increasingly reflects trends seen in other developed economies in which convenience, attractive marketing, and variety are key attributes. Koreans are eating higher quality and a greater variety of meat products, processed foods and beverages that are easy to prepare and easy to eat. The current “well-being” trend emphasizes fresh, natural and healthy foods.

Chart 1: Total Korean Agricultural Imports



South Korea imported \$13.4 billion of agricultural, forestry and fishery products in 2003 and in 2004, total imports are forecast at \$14.5 billion, an 8 percent increase from last year. Korea is a large importer of corn, beef, fish and lumber. The United States is the largest supplier of agricultural products to Korea, but imports from China are growing.

According to Korean import statistics, \$3.5 billion of agricultural, fish and forest products were imported from the United States in 2003. For the first seven months of 2004, Korea imported \$2 billion from the U.S., mainly corn, hides and skins, soybeans and wheat. It is expected that total U.S. exports to Korea will remain very similar to last year despite bans against several major U.S. products. If imports from the U.S. fall due to citrus, beef and/or poultry bans, the loss may be totally or at least partially compensated by increased imports of feed grains and soybeans. For more general information about how to export to Korea, please review "The Exporter Guide" (KS3057), updated October 8, 2003.

Import quotas on 14 agricultural items were increased temporarily, from March 29 through the end of 2004 by the Ministry of Finance and Economy. The decision to temporarily enlarge Korea's tariff rate quotas (TRQ) on potatoes, corn, beans, soybeans, sesame seeds and other products used for feed and processed food came as a result of rising domestic prices. For more information, please review "Korea's MMA Quota Increase Report" (KS4014), updated on March 31, 2004.

B. Basic Product Imports

Basic imports represented 24 percent, or \$838 million, of total imports from the U.S. in 2003; however, during the first seven months of this year, they represented 45 percent of total imports from the U.S., a year-on-year increase of 95 percent with corn leading the way. In this category, the U.S. had a 44 percent market share and the major products are soybeans, wheat, cotton, corn and tobacco.

H.S. Code		2003 Jan-Jul	2004 Jan-Jul	Percent Change	2003 Market Share	2004 Market Share
1001	Wheat	\$154,797	\$156,443	1.1%	42.6%	41.9%
1005	Corn	\$24,117	\$358,932	1388.3%	4.0%	44.5%
1006	Rice	\$185	\$21,090	11300%	16.2%	46%
1201	Soybeans	\$185,667	\$252,238	35.9%	80.7%	86.7%
2401	Tobacco	\$21,501	\$13,639	-36.6%	35.2%	19.5%
5201	Cotton	\$79,371	\$109,522	38.0%	37.7%	40.8%
	Others	\$10,191	\$12,063	18.4%	4.3%	5.0%
	TOTAL	\$475,829	\$923,927	94.2%	27.9%	44.1%

1. Wheat

Korean wheat area and production are unlikely to increase significantly in the next year as there is limited demand for wheat flour made from locally grown wheat. Imports of U.S. milling wheat are expected to remain unchanged at 1.3 million metric tons for the July/June 2004/2005 marketing year. The U.S market share of milling wheat is 50-55 percent of Korea's milling wheat market. Australia and Canada, principal competitors in the milling wheat market, continue to gain market share by conducting extensive market research on

taste preferences. For more information, please review "Korea's Grain and Feed Annual" (KS4015), updated on March 30, 2004.

2. Corn

Domestic corn production will remain relatively flat for the next couple of years. The repeated outbreaks of animal diseases in the poultry and hog sectors threaten to slow the growth of the feed industry despite the growth in the compound feed production for beef cattle. Wet milling is likely to grow by 1-2 percent due to the increased consumption of carbonated soft drinks. In contrast, dry milling will remain flat as imports of corn grits (including hominy) continue to cover breakfast cereal manufacturers' demand. Breakfast food manufacturers cite better quality of granule size and puffing grade as the reason they prefer imported corn products over domestic products. In the October/September 2004/2005 marketing year, Korea's corn imports are forecast to decrease slightly (3-4 percent) reflecting expectations that Korea will import more feed wheat. For more information, please review "Korea's Grain and Feed Annual" (KS4015), updated on March 30, 2004.

3. Rice

Korea currently maintains a minimum market access (MMA) regime limiting rice imports to 4 percent of average domestic rice consumption from 1988 to 1990, and requiring that imports must be distributed, to rice processors only, through a government-controlled distribution network. Under the terms of the 1994 Uruguay Round agreement, however, which allowed Korea to maintain quantitative import limits through 2004, the country is obliged to tariff rice imports or conclude talks on extending quantitative import limits by the end of 2004. These negotiations are currently underway. Whether the rice market is tariffed or quantitative import limits are extended, access to the Korean rice market is expected to improve.

South Korea purchased 30,000 tons of U.S. medium grain rice in 2001, 40,000 tons in 2002 and 55,000 tons in 2003. Currently, the Korean government oversees the distribution of imported rice and it can only be sold to makers of processed foods such as rice cakes and snacks. Imported rice has not been allowed to enter the domestic retail market for sale as table rice. The Korean government oversees distribution of imported rice to rice processors. For more information, please review "Korea's Grain and Feed Annual" (KS4015), updated on March 30, 2004.

4. Soybeans

Korea's soybean area and production are expected to remain stable. In the October/September 2004/2005 marketing year, total soybean imports are projected at 1.55 million metric tons, composed of 1.25 million metric tons for crushing and 0.3 million metric tons for food processing. Korea has been the eighth largest market for U.S. soybeans in recent years; however, there is growing competition from South American suppliers. The Agricultural and Fisheries Marketing Corporation (AFMC), a state trading company, purchases U.S. No. 1 non-biotech-enhanced soybeans for food processing through an identity preserved (IP) certification system under the tariff rate quota. Food manufacturing of soybean curd, soy sauce, soy paste, soy milk and soybean meal used to produce soy-based seasonings is largely from U.S. soybeans (85 percent). Chinese soybeans, which are imported out-of-quota and subject to a tariff rate of 487 percent are used largely for sprouting (70 percent). For more information, please review "Korea's Oilseeds and Products Annual" (KS4008), updated on February 18, 2004.

5. Tobacco

Korean leaf tobacco area and production are forecast to contract again in 2004. Elimination of domestic leaf tobacco purchasing requirements in 2001 and privatization of KT&G, the

former state-owned tobacco processing firm, in December 2002 paved the way for Korean tobacco processors to shift from domestic to imported tobacco. However, KT&G stock levels of flue-cured leaf tobacco are still quite high and as a result imports from the U.S. are likely to decline this year. For more information, please review "Korea's Tobacco and Products Annual" (KS4028), updated on June 14, 2004.

6. Cotton

Korea is importing higher quality raw cotton than in the past, but in lesser amounts. Cotton from the U.S. and Australia accounts for almost 60 percent of the Korean market. In general, Korean imports are declining along with the textile industry, which is restructuring and placing increasing emphasis on investing in overseas spinning capacity. In 2003, drought-reduced cotton production in Australia and increased Chinese demand resulted in higher cotton prices which were reflected in lower total import values. For more information, please review "Korea's Cotton and Products Annual" (KS4021), updated on May 3, 2004.

C. Intermediate Product Imports

Imports of intermediate products (products that receive some processing, but are generally not yet ready for final consumption) represented 23 percent, or \$823 million of total imports from the U.S. in 2003. In the intermediate products category, the U.S. had a 27 percent market share and the major products were hides and skins, hay and fodder, leather, animal feeds, fur, margarine and shortening, vegetable oils (corn, linseed, etc.), seeds, fruits and spors (used for sowing), whey, malt, other sugar products.

Korean consumers prefer nationally produced goods, if priced comparably with imported products, while still seeking an expanding variety of products. The Korean food and beverage manufacturing and processing industry are a major importer of raw materials, ingredients, intermediate products, and additives. Imports are necessary to support the processing industry due to limited local supply in terms of quantity and variety. This sector is expected to grow 3-5 percent annually for the foreseeable future. For more information, please review "Korea's Food Processing Ingredients Sector Report" (KS4011), updated on February 27, 2004.

**Table 2: Korean Imports of Intermediate Products from the United States
(Calendar Year/U.S. \$000)**

H.S. Code		2003 Jan-Jul	2004 Jan-Jul	Percent Change	2003 Market Share	2004 Market Share
0404	Whey	\$5,694	\$5,767	1.3%	28.6%	15.7%
1214	Hay & Fodder	\$61,403	\$50,023	-11.7%	87.6%	81.5%
1209	Seeds	\$4,530	\$5,802	21.8%	13.6%	8.7%
1515	Vegetable Oils	\$3,598	\$7,291	102.6%	23.7%	32.2%
1517	Margarine & Shortening	\$6,904	\$8,034	16.4%	64.5%	69.0%
1702	Other Sugar	\$5,564	\$5,724	2.9%	27.2%	23.4%
1901	Malt	\$6,660	\$5,729	-14%	25.7%	16.9%

2309	Animal Feeds	\$22,595	\$21,253	-5.9%	33.2%	28.8%
4101, 4104, and 4301	Hides & Skins, Leather, and Fur	\$309,775	\$276,565	-10.7%	76.1%	70.1%
	Others	\$83,460	\$46,168	-44.7%	6.7%	3.5%
	TOTAL	\$505,428	\$432,356	-14.5%	26.9%	21.0%

1. Whey

About half of total whey imports are used in feed applications and half go into food use. Whey for infant formula accounts for about 25-30 percent of total whey usage and the remainder of imported whey goes into food applications. Korea imports whey products under a quota system with an in-quota tariff rate of 40 percent unless a "special exemption" is issued by the Korean Dairy Industry, in which case a 20 percent tariff rate applies. For more information, please review "Korea's Dairy and Products Annual" (KS3064), updated on October 21, 2003.

2. Hay & Fodder

Currently, Korea imports grass hay within a TRQ for forage products established under the Uruguay Round Agricultural Agreement which covers fodder roots (1214-90-1000), forages excluding alfalfa meal, pellets and bales (1214-90-9090), and vegetable materials (excluding acorns, chestnut hulls and cotton seed hulls (2308-00-9000). The tariff within the TRQ is 2 percent. The Korean government set the quantity at 495,000 tons in 2003 and 700,000 tons in 2004.

3. Seeds

Korea imported 112,524 metric tons of seeds in 2003, and for the first seven months of 2004 imported 213,005 metric tons, 98 percent of which were lupine seeds used for animal feed.

4. Vegetable Oils

Korea imported 27,464 metric tons of vegetable oils (excluding soybean, rape, colza and mustard oil) in 2003, and for the first seven months of 2004 imported 21,211 metric tons. Corn (crude) oil accounted for 34 percent and has been imported by Korean edible oil refineries for processing into cooking oil, shortening, and margarine for food institutions and bottled corn oil for home use. Tung oil accounted for 19 percent and linseed oil accounted for 12 percent, both are used mainly to manufacture varnishes or paints.

5. Margarine & Shortening

Korea imported 4,711 metric tons of animal and vegetable fats included in this category in 2003, and for the first seven months of 2004 imported 3,000 metric tons, 93 percent of which were imitation lard, liquid margarine or shortenings.

6. Other Sugars

This category includes lactose, maple syrup, glucose and fructose. Korea imported 44,791 metric tons in 2003, and for the first seven months of 2004 imported 36,655 metric tons.

7. Animal Feeds

Animal feeds and pet food product imports were \$39 million in 2003, up 42 percent by value. Korea has become one of the fastest growing pet food markets in the world. Korean pet owners spend an estimated \$250 million annually on pet food. The market is increasing not only because people are buying more pets, but also, as a result of rising incomes, pet owners

are more willing to purchase higher quality pet food. Currently, 24 percent of locally consumed pet food is imported. Australia dominates the canned food market while the U.S. is the main supplier of dry food.

8. Hides & Skins, Leather, and Fur

Although these three products represent a large portion of all intermediate products, it is likely they will continue to decline slightly each year as the tanning industry moves to lower labor cost areas such as China.

D. Consumer-Oriented Product Imports

Imports of consumer-oriented products (or high-value products) represented 45 percent or \$1.6 billion of total imports from the U.S. in 2003, up 16 percent from the previous year. However, in the first seven months of 2004, imports have declined by 42 percent compared to last year as a result of the bans placed on beef, poultry and oranges. In the consumer-oriented products category, the U.S. had a 41 percent market share and the major products were frozen beef, fresh/chilled beef, edible offals, citrus, fruit juices, and poultry.

Total food sales in the retail sector are estimated at \$40 billion in 2002 and accounted for 30 percent of all retail sales. Hypermarkets have become the leading retail channel for food products. Growth of advanced mass retailers and changes in consumer lifestyles and tastes have translated into growing opportunities for imported consumer ready products. For more information, please review "Korea's Retail Food Sector Report" (Ks4009), updated on February 23, 2004.

Organic products imports fall mostly within the consumer-oriented products category. The Korean Food and Drug Administration (KFDA) regulates the imports of processed products and currently, they accept USDA's organic certificates. The Ministry of Agriculture and Forestry (MAF) regulates imports of fresh produce and grains and has imposed a virtual ban on these products by requiring a Korean certifying agent to certify organic production in the exporting country. The nascent Korean market for organic products is small, but local industry sources project a growth rate of 30 percent annually. While imported ingredients are used to manufacture some processed organic products, such as tofu and baby food; most processed products are imported. For more information, please review "Korea's Organic Market Update" (KS4003), updated on January 8, 2004.

**Table 3: Korean Imports of Consumer-Oriented Products from the United States
(Calendar Year/U.S. \$000)**

H.S. Code		2003 Jan-Jul	2004 Jan-Jul	Percent Change	2003 Market Share	2004 Market Share
0201	Fresh or Chilled Beef	\$42,206	\$823	-98.2%	71.0%	2.1%
0202	Frozen Beef	\$397,117	\$70,734	-82.2%	76.5%	26.6%
0203	Pork	\$8,011	\$20,026	150.0%	7.5%	11.7%
0206	Edible Offals	\$37,444	\$6,063	-83.8%	68.9%	21.8%
0207	Poultry Meat &	\$18,051	\$4,279	-76.3%	36.7%	16%

	Offals					
0406	Cheese & Curd	\$8,613	\$12,014	39.5%	18.2%	17.8%
Ch. 7 & 2004/2005	Vegetables	\$42,207	\$57,320	35.8%	23.6%	25.5%
0802	Other Nuts	\$17,951	\$22,560	25.7%	90.5%	89.6%
0805	Citrus Fruit	\$104,287	\$130,137	24.8%	97.1%	99.9%
1806	Chocolate	\$16,993	\$13,730	-19.2%	33.6%	28.1%
2009	Fruit Juices	\$9,674	\$8,126	-16%	39.5%	32.7%
2204	Wine	\$3,114	\$4,448	42.8%	15.7%	14.9%
	Others	\$181,442	\$150,802	-16.9%	21.0%	16.1%
	TOTAL	\$900,966	\$518,705	-42.4%	41.2%	26.0%

1. Beef and Edible Offals

Korea implemented a ban on U.S. beef and associated commodities, such as ruminants and ruminant products on December 27, 2003 as a result of the positive diagnosis of a single case of bovine spongiform encephalopathy (BSE) in the state of Washington. However, products such as raw hides, milk and milk products, semen and protein-free tallow are permitted. Imports statistics for 2004 in the above table reflect product that had cleared quarantine inspection prior to the implementation of the ban on December 27, 2003, but did not complete final customs clearance until after January 1, 2004. For more information, please review "Korea's Livestock and Products Annual" (KS4048) updated on September 9, 2004

2. Poultry Meat & Offals

Korea remains one of the few countries that maintain a ban on imports of U.S. fresh and frozen poultry meat from the entire United States due to avian influenza-related concerns. Other importing countries have accepted regionalization. However, based on the latest outbreaks in other Asian countries (imports from Thailand and China were banned in January 2004), the United States would be the first country from which imports would be allowed to resume. Although a couple of designated poultry plants in Brazil may soon be eligible to export a limited quantity to Korea, bans on other suppliers will encourage importers to turn to the United States. With Thailand, China and the United States out of the market, Korean importers switched to European poultry meat suppliers. Since imported chicken meat is widely used at restaurants and fast food chains, a positive economic outlook will spur import demand. For more information, please review "Korea's Poultry and Products Annual" (KS4047) updated on September 1, 2004.

3. Cheese & Curd

Total cheese imports are expected to continue increasing as there is a lack of domestic production facilities and consumers are gradually acquiring a taste for these products. While U.S. imports are benefiting from this trend, there is strong competition from Australia and New Zealand. For more information, please review "Korea's Dairy and Products Annual" (KS3064), updated on October 21, 2003.

4. Other Nuts

This category includes almonds, walnuts and pistachios. In 2003, Korea imported 6,174 metric tons of shelled almonds from the U.S., which maintains a 98 percent market share.

Almonds are used primarily in confectionery and bakery products. Korea imported 1,691 metric tons of shelled walnuts in 2003 and the United States has a 92 percent market share. Although walnuts are used in the bakery sector, they are becoming an increasingly popular as a snack food item. Korea imported 598 metric tons of pistachios in 2003 and the United States has a 98 percent market share. Pistachios are typically only consumed as a snack food item.

5. Citrus Fruit

Despite the efforts of the Jeju Provincial Government and Agricultural Cooperative (JCGAC) to reduce citrus production, it is expected to increase by 15 percent in 2004. Virtually all imports of citrus are from the U.S. and orange imports represent 94 percent of all citrus imports. Phytosanitary discussions may conclude in the next two to three months allowing orange imports from Spain. To date, Chile has not initiated phytosanitary discussions with Korea on orange imports in spite of a free trade agreement. On April 27, 2004, Korea placed a temporary suspension on orange imports from the California counties of Tulare and Fresno, due to purported detections of *Septoria citri*. In addition, on October 28, 2003, an import ban on oranges originating from the Ontario area of San Bernardino county (from October 28, 2003) and the quarantine area of Los Angeles county (September 8, 2004), California was imposed in response to the detection of citrus fruit fly, which is still in effect. In-quota and out-of-quota orange tariffs equalized at 50 percent in 2004. For more information, please review "Korea's Citrus Semi-Annual Report" (KS4029), updated on June 14, 2004.

6. Chocolate

The long-term growth of the entire confectionery sector is expected to decrease over time as a result of the falling birth rate. Therefore, manufacturers are becoming increasingly sophisticated with product development and market to target working females, parents and those over 60. Sales of imported brands are growing causing product life cycles to shorten and competition, especially for chocolate sales, has become more intense. Chocolates tend to sell well during the holidays and about 70% is sold from October through March. For more information, please review "Korea's Confectionery Market Product Brief" (KS4041) updated on August 6, 2004.

7. Vegetables

Currently, Korea is self-sufficient in almost all produce; however, imports are likely to continue growing. Local production is declining due to a shortage of agricultural labor. Fresh produce consumption is growing as incomes increase and consumers demand larger quantities and greater variety. As a result, products that were traditionally seasonal are now available year-round. Seventy percent of all imported fresh produced is consumed at the retail level. For more information, please review "Korea's Produce Product Brief" (KS4046), updated September 10, 2004.

8. Fruit Juices

The overall domestic consumption of fruit juices is expected to expand in the next year as consumers focus on a healthy lifestyle. However, consumers increasingly prefer fresh, natural juice or premium not from concentrate (NFC) rather than diluted juices with a low fruit content. Additional demand is emerging for drinks that are nutrient enriched, such as amino acid drinks, chlorella-containing drinks, and vitamin A and E enriched drinks. The European Union, China and Brazil are the principal competitors.

9. Wine

Total Korean imports and imports from the U.S. reached record levels in 2003 and are expected to do so again in 2004. Korea has one of the largest per capita consumption of alcohol of any country in the world. However, the younger generation is consuming less hard liquor and wine is seen as a healthier alternative. U.S. wines are expected to remain one of

the top choices, as they are firmly positioned in the market as products of good value and unique quality. The U.S. is the second largest exporter of wine to South Korea after France. For more information, please review "Korea's Wine Market Brief" (KS4042) updated on August 10, 2004.

E. Forest Products

Imports of forest products represented 4 percent or \$143 million of total imports from the U.S. in 2003, down 2 percent from the previous year. January through July 2004 imports of forest products have increased 14% year-on-year and the U.S. had 9% market share. The major products were fuelwood, logs, lumber and veneer.

H.S. Code		2003 Jan-Jul	2004 Jan-Jul	Percent Change	2003 Market Share	2004 Market Share
4401	Fuelwood	\$6,706	\$12,528	86.8%	14.5%	22.8%
4403	Logs	\$55,179	\$65,401	18.5%	15.5%	14.9%
4407	Lumber	\$13,889	\$12,133	-12.6%	12.4%	9.8%
4408	Veneer	\$7,978	\$5,824	-27.0%	12.8%	10.0%
	Others	\$2,390	\$2,572	7.6%	0.6%	0.7%
	TOTAL	\$86,142	\$98,458	14.3%	8.6%	9.2%

Demand for U.S. wood products has been sluggish due to the decline in domestic consumption and continued offshore relocation of Korean wood industry production facilities, including furniture, musical instruments, builders carpentry and joinery, and increasingly flooring. The government legislation on indoor air quality, along with consumers' growing concern about the safety of housing materials, also had a profound impact on the consumption of veneer. Demand for veneer plummeted after a negative report on "Sick House Syndrome" aired on television in July 2003. For more information, please review, "Korea's Solid Wood Products Annual" (KS4034) updated on July 16, 2004.

F. Seafood Products

H.S. Code		2003 Jan-Jul	2004 Jan-Jul	Percent Change	2003 Market Share	2004 Market Share
0303	Frozen Whole Fish	\$45,810	\$36,211	-21.0%	10.2%	9.0%
0304	Fish Fillets	\$30,386	\$28,926	-4.8%	26.6%	6.1%
	Others	\$6,793	\$6,474	4.7%	1.3%	1.0%
	TOTAL	\$82,989	\$71,611	-13.7%	7.6%	6.1%

Korean fishery resources are being steadily depleted, and at the same time, fish catch quotas in foreign waters are being restricted. As a result, domestic fishery production declined seven percent in 2002 to 2.48 million tons. Despite the drop in production, total imports of seafood are not expected to increase greatly in the next few years. The rise in seafood prices may have led to a decline in consumption. Imports from the U.S. are expected to decline as many U.S. exporters are shifting to the Chinese market. For more information, please review "Korea's Fishery Products Annual" (KS3056), updated on October 8, 2003.

III. KEY CONTACTS AND FURTHER INFORMATION

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

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Agricultural Affairs Office

Korean Address: U.S. Embassy, 82, Sejong-ro, Chongro-ku, Seoul, South Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-AgAff, APO, AP 96205-5550

Telephone: 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's 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. 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 worldwide 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 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>

Additional FAS/Seoul commodity, sector and product reports can be found on the FAS Website at <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>.