

KOREA- AUSTRALIA

FREE TRADE AGREEMENT



MEAT, SMALLGOODS AND SEAFOOD TO KOREA

KAFTA BENEFITS FOR BEEF, LAMB, SMALLGOODS AND SEAFOOD

The Korea-Australia Free Trade Agreement (KAFTA) came into force in December 2014, bringing significant benefits for Australian exporters. When KAFTA is fully implemented, tariffs on 99.7 per cent of exports to Korea will be eliminated. The agreement helps level the playing field for Australian food exporters competing with companies from the US, EU, Chile and the Association of Southeast Asian Nations, which all benefit from existing trade deals with Korea.

Under KAFTA, the tariff on beef will reduce to 29.3 per cent on 1 January 2017 and will be eliminated by 1 January 2028. The tariff on lamb will reduce to 13.5 per cent by 1 January 2017 and will be eliminated by 1 January 2023. The tariff on sausages will reduce to 3.6 per cent on 1 January 2017 and will be eliminated by 1 January 2018. Ham will reduce from 12 per cent to 6 per cent on 1 January 2017 and will be eliminated by 1 January 2018.

The tariff on chilled/frozen Atlantic salmon, chilled southern bluefin tuna and chilled yellowtail kingfish were eliminated on entry into force. The tariffs on frozen southern bluefin tuna, smoked salmon, smoked trout and live/fresh/chilled/frozen rock lobster were eliminated in 2016. Despite no KAFTA reduction, there are good opportunities for live eel into Korea.

These tariff cuts help improve Australia's competitiveness and make it an ideal time for exporters to enter Korea. Korean consumers have an appetite for imported premium

products, and Australian companies offering high-quality meat, smallgoods and seafood will find a growing market for their goods.

This document provides an overview of the beef, lamb, smallgoods and seafood market in Korea to help Australian companies plan their export strategy. Exporters are encouraged to undertake their own market research and refer to the Free Trade Agreement Portal (ftaportal.dfat.gov.au) developed by the Department of Foreign Affairs and Trade (DFAT) for more information on tariff cuts. Austrade can provide insights and assistance to support successful market entry.

For information on ready-to-eat meals containing meat (such as burger patties, meat pies and beef sausage), refer to the 'Ready-to-eat Meals' snapshot.

MARKET SNAPSHOT

Korea imports more than 70 per cent of its food and agriculture products.¹ The market for imported packaged food is growing and diversifying. Consumer tastes are changing and demand for luxury and high-quality food products is increasing.

BEEF AND LAMB

In 2015, Korea's beef imports were worth US\$1.8 billion and came largely from Australia (US\$972.9 million), the US (US\$749 million) and New Zealand (US\$77.9 million).² Sheep imports worth US\$43.9 million primarily came from Australia (US\$40.8 million) and New Zealand (US\$3.1 million).

Koreans' consumption of beef has grown from 1 kilogram per capita per annum in 1970 to 11 kilograms in 2014, and continues to grow.³ Australia is currently the leading exporter of beef and sheepmeat to Korea.⁴



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Local production of beef has declined in the last two years and is expected to continue declining for the next two years.⁵ This is partially due to the exit of many farmers with small-sized operations, consisting mostly of breeding farms, and government cattle reduction programs aimed at increasing the live cattle price. Korea's overall cattle inventory is expected to pick up again in 2017.

This may help explain why the proportion of imported beef into Korea grew from 143,000 metric tonnes in 2005 (48 per cent of total beef consumed in Korea), to 245,000 metric tonnes in 2010 (57 per cent of total beef consumed) and 297,000 metric tonnes in 2015. The market share of local Korean beef declined from 51 per cent in 2005 to 46 per cent in 2015.⁶

The forecast for 2020 of total consumed beef in Korea is around 590,000 metric tonnes with 359,000 metric tonnes imported (61 per cent of the market) and only 39 per cent sourced locally.⁷

Koreans view locally produced beef as the premium brand. In supermarkets, Korean beef is usually sold in thin-cut slivers to suit local cooking practices. Australia's primary international competitor for beef is the US, which is known for its marbled beef. Canada also has an FTA with Korea. The import ban on Canadian beef was lifted on 30 December 2015. However, only Canadian beef less than 30 months old can be exported to Korea.⁸

Korea is Australia's largest market for chuck roll, blade and rib exports, and our third-largest export market for brisket. Beef ribs, pan-fried with black pepper sauce or barbecued, are a popular dish in Korea. More than half (58 per cent) of Australia's exported short ribs go to Korea, while 15 per cent go to China and 11 per cent to Indonesia.⁹

Australian exporters of short rib products are in direct competition with exporters in the US and New Zealand. Sixty-seven per cent of total US beef exports to Korea are short ribs.¹⁰ Cube roll, chuck roll, blade and brisket are other beef cuts where Australian exporters have a stronger position than their US competitors. This is important for the Australian beef industry as Korea is the primary export market for Australian chuck roll (56 per cent of Australian total exports of this cut), and for blade (38 per cent of total exports) as well as the third-largest export market for brisket.¹¹

New dishes such as shawarma and gyros in Korea have increased the overall demand for sheepmeat. Over 90 per cent of sheepmeat consumed in Korea is sourced from Australia, and New Zealand is our direct competitor. Sheepmeat is mostly sold into the food-service sector, with consumption driven by lamb skewer franchise and lamb barbecue restaurants. The main cuts used are shoulder racks and breast and flap meat.

Visit Meat & Livestock Australia (mla.com.au) for more details on beef and sheepmeat exports to Korea.

SMALLGOODS

Korea's market for chilled processed meat in 2015 was worth US\$1 billion.¹² Imports totalled US\$72.5 million, largely from the US (US\$54.7 million), Denmark (US\$14.2 million) and Spain (US\$ 1.1 million). Locally made ham, sausages and bacon have increased in popularity in recent years as many Koreans have started to prefer a Western-style diet. Domestic producers are continually looking to upgrade their products to compete with US products. There may be opportunity for Australian processed pork products such as salami or salami sticks for snacking.

Korean companies Dongwon F&B Co, CJ CheilJedang, Sajko Daerim, HJarim Co., Ltd and Daesanjg Corp are well-known Korean processed meat companies.¹³ Australian products are in direct competition with US and European smallgoods manufacturers. Austrade's qualitative research in Korean supermarkets found premium Spanish smallgoods brands such as Carhelejo and Julian Martin Guijuelo. Examples of US sausage brands include Tyson Deli Inc, Gwaltney of Smithfield, Superior's Brand Meats and Johnsonvill Sausage LLC.

SEAFOOD

Korea's imported seafood totalled US\$3.7 billion in 2015.¹⁴ Australia's seafood exports to Korea were relatively small compared to other countries such as the US, whose seafood exports to Korea totalled US\$4.1 million in 2015. Major Australian exports included frozen southern bluefin tuna, frozen saddletail snapper, live/frozen lobsters and live/frozen eel.

In terms of export value, frozen southern bluefin tuna is the most exported seafood to Korea, with a value of US\$2.7 million in 2015. Frozen saddletail snapper is exported to Korea mainly for holidays such as Lunar New Year and Chusok and is used for special menus during the holiday season. Australian live rock lobsters are considered premium lobsters compared to US and Canadian lobsters, and is mostly suited for five-star hotels due to its higher price point. Imported live shortfin eels are supplied to eel restaurants, and longfin eels are used to make eel stock, which is a popular Korean health food.

Most seafood imported into Korea comes from China and Russia, followed by Vietnam and the US.

Although the export volume of Australian seafood to Korea is small at this stage, there is opportunity for growth given the benefits under KAFTA. The greatest potential for growth is in categories such as chilled/frozen Atlantic salmon, chilled/frozen southern bluefin tuna, chilled yellowtail kingfish, smoked salmon and trout, live/frozen lobster and frozen prawn.

HOW TO USE KAFTA WHEN EXPORTING PRODUCTS TO KOREA

Preferential KAFTA tariffs are not applied automatically in Korea; follow the steps below to take advantage of KAFTA.

1. Read through the DFAT [Guide to using KAFTA to export and import goods](#) and the Austrade *Food and Beverage Market Entry Guide: Opportunities under the Korea-Australia Free Trade Agreement*.
2. Identify the correct HS codes for your product and cross-check with your freight forwarder.
3. Search the DFAT Free Trade Agreement Portal (ftaportal.dfat.gov.au) to check how your products will be treated under KAFTA in terms of tariff reduction, any tariff quota, and that they meet the criteria for 'Australian Origin'.
4. Prior to signing any contract with an importer or partner, you can cross-check your tariff reduction with them and seek legal advice if required. If necessary,

cross-check the HS codes and get an advanced ruling from Korea Customs Service (customs.go.kr) with the assistance of your importer.

5. Prepare FTA certification of origin for your products. You must have origin documents to claim FTA benefits.

KAFTA allows Australian exporters to self-certify the origin of their goods by preparing an Origin Certification Document (OCD).

You can also certify origin by obtaining a Certificate of Origin (COO) from the Australian Chamber of Commerce and Industry (ACCI) and Australian Industry Group (AIG), the accredited certifiers in Australia.

ACCI: acci.asn.au

AIG: aigroup.com.au

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