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Impacts and Implications of Korea-EU FTA to Agricultural Sector after 5 Years of Effectuation

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1. Current Status of Implementation of Korea-EU FTA and Trade of Agricultural and Livestock Products	1
2. Impact of Change in Import of Major Items on Domestic Market	10
3. Domestic Measures for Supplementation of FTA	21
4. Summary & Implications	26

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◇ Abstract ◇

- In the 5th year of implementation of the Korea-EU FTA, the volume of trade of agricultural and livestock products between two parties was reduced compared to the 4th year due to the impact of change in domestic and overseas conditions; however, it increased compared to a normal year before the pact went into effect.
 - In the 5th year of implementation, the value of import of agricultural and livestock products from the EU stood at USD 3.5 billion, down by 4.7% than the previous year and up by 68.2% than an average year before the effectuation.
 - In the 5th year of implementation, the value of export of agricultural and livestock products to the EU was USD 340 million, down by 1.5% than the previous year and up by 68.2% than a normal year before the effectuation.
- In 2015, the utilization rate of preferential tariffs for agricultural and livestock products imported from the EU was 82.2%, while the rate for products exported to the EU was 69.5%.
 - Items whose rate of utilizing FTA preferential tariffs for import is 90% or over among products with USD 100 million of the value of import or over include pork, cheese, wine, etc.
 - Items whose rate of utilizing FTA preferential tariffs for export is 90% or over among products with USD 10 million of the value of export or over include gelatin, ramen, etc.
- Due to reduction of tariffs for the Korea-EU FTA and decreased domestic production, the volume of pork imported from the EU increased by 2.1% compared to the 4th year and 76.0% compared to an average year before the effectuation.
 - Although competition became intensified, including conclusion of FTAs with dairy product exporting countries such as Australia and New Zealand, the volume of import of dairy products in the 5th year of implementation rose by 14.9% compared to the previous year and 146.0% than a normal year before the effectuation due to an increase in the production of dairy products in the EU and decline in prices.
 - The volume of import of corn and barley increased compared to the 4th year of implementation; with a decrease in the imports of wheat, however, the total volume of import of grain from the EU dropped by 2.7% compared to the previous year and grew by 369.9% compared to an average year before the effectuation.
- Thanks to reduction of tariffs, the effect of decreasing import price was achieved in the 5th year of implementation, including the import price of pork down by 8-17%, dairy products by 8-16% and grain by 3-28%.
- As part of domestic measures to deal with the impact of opening the market by the Korea-EU FTA, performance in policy was ensured, including improvement of stockbreeding productivity and spread of eco-friendly stockbreeding.
 - From 2011 to 2015, the budget of KRW 4 trillion and 838.4 billion was executed for domestic measures to supplement the Korea-EU FTA (86.8% compared to the initial plan).
 - Projects for modernizing livestock facilities contributed to improving the productivity of each livestock type, and projects for vitalizing natural recycling agriculture and supporting livestock manure processing facilities served spreading eco-friendly livestock production.

1. Current Status of Implementation of Korea-EU FTA and Trade of Agricultural and Livestock Products¹⁾

1.1. Value of import of agricultural and livestock products from the EU

□ In the 5th year of the implementation of the Korea-EU FTA, the value of import of agricultural and livestock products from the EU stood at USD 3.5 billion, which decreased by 4.7% compared to the 4th year, but increased by 68.2% against a normal year before the FTA took effect.

○ In the total agricultural and livestock imports, EU products account for 11.8%, which slightly increased (0.2%p) compared to the 4th year of implementation.

- Due to increasing production of livestock products (pork, dairy products) by the EU, which are major import items, the unit price of import for livestock products dropped compared to the 4th year of implementation.
- The amount of imported livestock products in Korea increased against the 4th year due to the ban on the import of pork from the EU by the Russian government.
- However, as the unit price of import went down more significantly than an increase in the volume of livestock products imported from the EU, the value of import decreased compared to the 4th year.

※ Amount of slaughter of pork in the EU (10,000 tons):

1) The statistical data about trade of agricultural and livestock products (agricultural products, livestock products, forest products) in this chapter collect data from July in each year to June in the next year for 2,316 HS codes. As statistics for import and export in June 2016 were not announced in the 5th year of implementation, the value was calculated by applying the average of the three previous same months.

1,715 (Jul '14-Mar '15) → 1,743 (Jul '15-Mar '16)

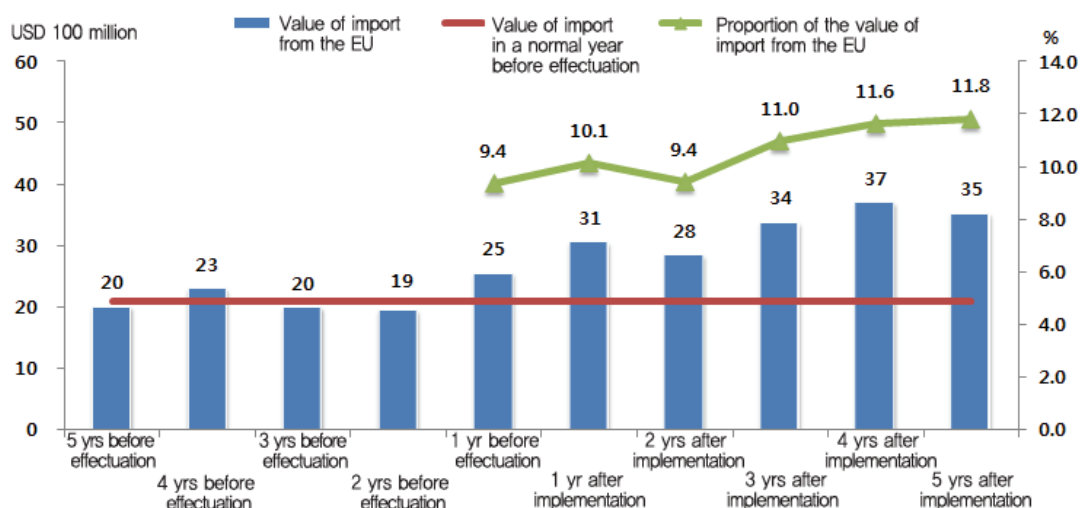
※ Amount of production of raw milk for processing in the EU (10,000 tons):

10,834 (Jul '14-Mar '15) → 11,348 (Jul '15-Mar '16)

※ Value of import of agricultural and livestock products from the EU (USD 100 million):

21.0 (Average year before effectuation) → 37.0 (4th year of implementation) → 35.3 (5th year of implementation)

Figure 1. Trend of Value of Import for Agricultural and Livestock Products from the EU



Source: Korea Trade Statistics Promotion Institute (KTSPI).

□ In terms of category, the value of import of livestock products and grain decreased, while that of fruits and vegetables slightly increased compared to the 4th year.

- The value of import of livestock products (pork, dairy products, etc.) fell by 8.8% compared to the 4th year of implementation due to a decrease in the unit price of import; however, the value of import soared by 76.6% compared to an average year before the pact went into effect.
 - Major import items such as pork (-13.2%) and dairy products (-4.4%) all saw a decrease compared to the 4th year.
 - However, the value of import of others such as wool (11.7%) and livestock preparations (21.1%) increased.
- The value of import of fruits and vegetables went up by 2.0% in comparison with the 4th year due to increasing import of fruit-processed items such as juice and fruit juice.
 - Major increasing imported items include other fruits (53.4%), single fruit preparations (9.2%), composite fruit products (20.4%), etc.
- With a decrease in the import of wheat for feed, grain imports fell by 8.1% compared to the 4th year, while corn imports for feed rose.
 - Value of import of wheat for feed (USD 1 million): 145.1 (4th year of implementation) → 85.6 (5th year of implementation)
 - Value of import of corn for feed (USD 1 million): 24.5 (4th year of implementation) → 50.7 (5th year of implementation)

Table 1. Change in Value of Import of Agricultural and Livestock Products from the EU for Each Category

Unit: USD million, %

Classification	Normal year before effectuation (A)	Implementation after effectuation ²⁾					Rate of change (%)	
		1 st year ('11/'12)	2 nd year ('12/'13)	3 rd year ('13/'14)	4 th year ('14/'15) (B)	5 th year ('15/'16) (C)	Compared to before effectuation (C/A)	Compared to the 4 th year (C/B)
Total sum	2,097	3,054	2,843	3,375	3,700	3,526	68.2	-4.7
Agricultural products	1,106	1,471	1,619	1,870	1,841	1,788	61.6	-2.8
- Grain	83	192	289	450	304	280	235.5	-8.1
- Fruit and vegetable	58	71	87	88	102	104	78.1	2.0
- Processed food	964	1,208	1,243	1,332	1,435	1,405	45.8	-2.1
Livestock products	735	1,251	871	1,063	1,423	1,298	76.6	-8.8
Forest products	288	332	353	442	436	440	52.6	0.9

Note 1) The value of a normal year before effectuation is the average of three years in the previous five years without the maximum and minimum.

2) As the value of a normal year for each category before effectuation is calculated, there is a difference between the sum of each category in the normal year and the total sum.

3) For the category of grain, the value is a subtotal of grains, other grain types, pulses, root and tuber crops, starch, bottle gourd and oilseeds; for the category of fruit and vegetable, the value is a subtotal of fruits, vegetables, flowering plants, mushrooms (agricultural products) and other live plants; and for the category of processed food, the value is a subtotal of agricultural products without grain and fruit and vegetable.

Source: KTSPI.

2) The implementation year of the Korea-EU FTA refers to the term from July in each year to June in the next year. Years are indicated in the form of '11/'12.

1.2. Value of export of agricultural and livestock products from Korea to the EU

□ In the 5th year of the implementation of the Korea-EU FTA, the value of export of agricultural and livestock products from Korea to the EU stood at USD 340 million, down by 1.5% compared to the 4th year of implementation.

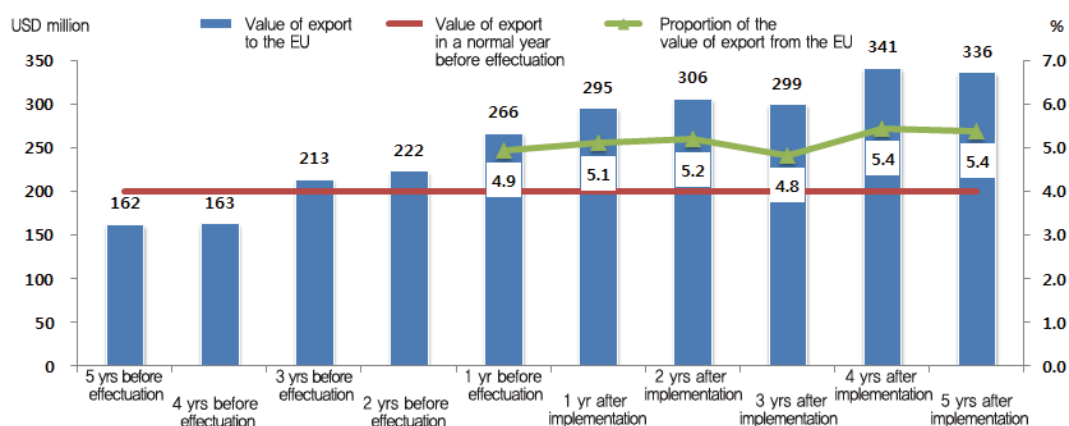
○ In the 5th year of implementation of the Korea-EU FTA, the proportion of exports to the EU in the entire agricultural and livestock exports from Korea was 5.4%, similar to that of the previous year.

- The value of export of composite food preparations, which account for 40% or over in Korea's agricultural and livestock exports to the EU, went down by 12.5%.

※ Value of export of agricultural and livestock products from Korea to the EU (USD 100 million):

2.0 (Normal year before effectuation) → 3.4 (4th year of implementation) → 3.4 (5th year of implementation)

Figure 2. Trend of Value of Export of Agricultural and Livestock Products to the EU



Source: KTSPI.

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- In terms of each category, the value of export of grain, livestock products and processed food decreased by 16.3%, 11.1% and 1.0% respectively compared to the 4th year of implementation.
 - Major decreasing grain exports include non-glutinous rice (-46.4%), grain flour (-20.9%), other grains (-19.5%), etc.
 - Major decreasing livestock exports include leather (-37.9%), gelatin (-8.4%), etc.
 - However, exports of some processed food products retain the similar level of the 4th year of implementation; the value of export of ramen (26.8%), other beverages (21.4%) and coffee preparations (3.3%) increased compared to the previous year.

Table 2. Change in Value of Export of Agricultural and Livestock Products to the EU for Each Category

Unit: USD million, %

Classification	Normal year before effectuation (A)	Implementation after effectuation					Rate of change (%)	
		1 st year ('11/'12)	2 nd year ('12/'13)	3 rd year ('13/'14)	4 th year ('14/'15) (B)	5 th year ('15/'16) (C)	Compared to before effectuation (C/A)	Compared to the 4 th year (C/B)
Total sum	200	295	306	299	341	336	68.2	-1.5
Agricultural products	182	272	281	277	312	309	69.9	-1.0
- Grain	0.8	1.4	1.1	0.9	1.0	0.8	1.9	-16.3
- Fruit and vegetable	16	18	22	25	24	24	51.6	-0.1
- Processed food	165	253	258	251	287	284	71.8	-1.0
Livestock products	12	12	14	13	19	16	41.9	-11.1
Forest products	7	11	10	9	10	10	52.1	-2.0

Note 1) The value of a normal year before effectuation is the average of three years in the previous five years without the maximum and minimum.

2) As the value of a normal year for each category before effectuation is calculated, there is a difference between the sum of each category in the normal year and the total sum.

3) For the category of grain, the value is a subtotal of grains, other grain types, pulses, root and tuber crops, starch, bottle gourd and oilseeds; for the category of fruit and vegetable, the value is a subtotal of fruits, vegetables, flowering plants, mushrooms (agricultural products) and other live plants; and for the category of processed food, the value is a subtotal of agricultural products without grain and fruit and vegetable.

Source: KTSPI.

1.3. Utilization rate of preferential tariffs for agricultural and livestock products in the Korea-EU FTA

□ In 2015, the utilization rate of FTA preferential tariffs for the import of agricultural and livestock products from the EU fell by 0.7%p compared to the previous year.

○ The value of import of “FTA items” among agricultural and livestock imports from the EU stood at USD 3.25 billion; as the value of import utilizing FTA preferential tariffs was USD 2.67 billion, the utilization rate of FTA preferential tariffs for import is 82.2%.

- Utilization rate of import preferential tariffs (%): 73.8 (’13) → 82.9 (’14) → 82.2 (’15)
- Items whose rate of utilizing FTA preferential tariffs for import is 90% or over among products with USD 100 million of imports or over include pork (99.7%), cheese (97.1%), wine (90.9%), etc.

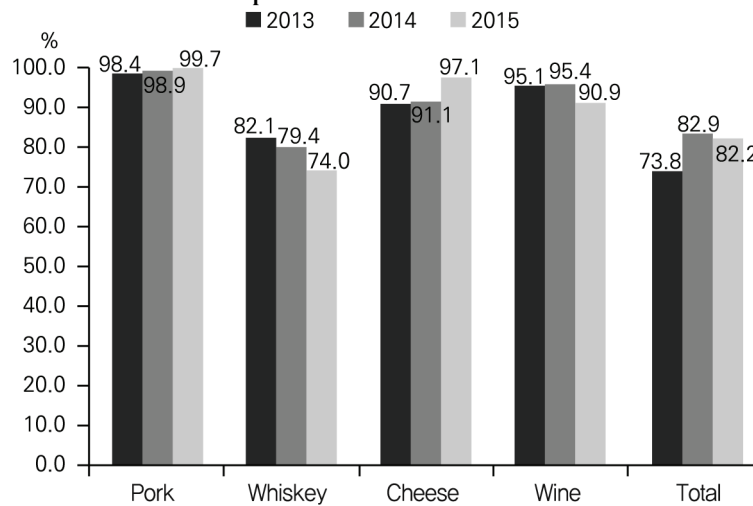
□ The utilization rate of FTA preferential tariffs for the export of agricultural and livestock products to the EU is 69.5%, the same as the previous year.

○ In 2015, the value of export of “FTA items” among agricultural and livestock exports from Korea to the EU stood at USD 340 million; as the value of export utilizing FTA preferential tariffs was USD 230 million, the rate of utilizing FTA preferential tariffs for export was 69.5%.

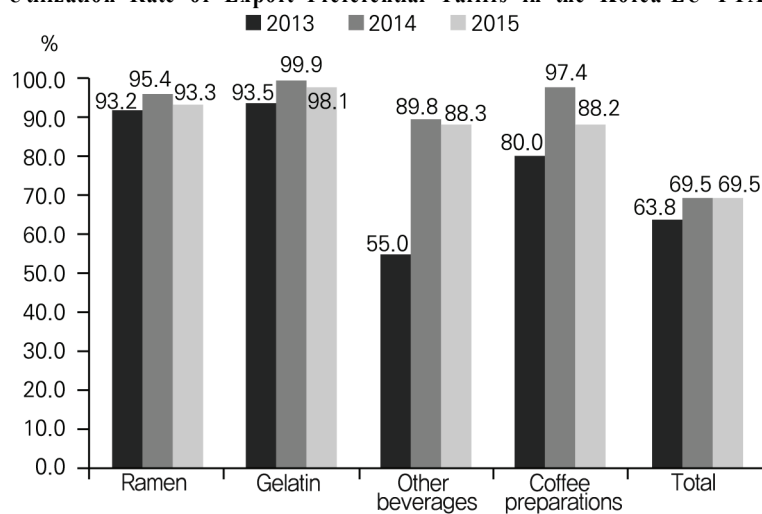
- Utilization rate of export preferential tariffs (%): 63.8 (’13) → 69.5 (’14) → 69.5 (’15)
- Items whose rate of utilizing FTA preferential tariffs for export is 90% or over among products with USD 10 million of exports or over include gelatin (98.1%), ramen (93.3%), etc.

Figure 3. Preferential Tariff Utilization Rate of Major Agricultural and Livestock Products in the Korea-EU FTA in 2015

<Utilization Rate of Import Preferential Tariffs in the Korea-EU FTA>



<Utilization Rate of Export Preferential Tariffs in the Korea-EU FTA>



Source: KTSPI.

2. Impact of Change in Import of Major Items on Domestic Market

2.1. Pork

- ☐ **Despite increasing domestic supply, the volume of pork imported from the EU slightly increased in the 5th year of implementation due to reduction of the unit price of import.**
- The tariff rate of frozen pork from the EU (25%) is abolished over 5 years (tariff-free from July 2016), while that of frozen pork belly over 10 years.
 - For refrigerated pork belly and other pork (pork neck), an Agricultural Safeguard Measure (ASG) is operated for 11 years after the pact went into effect (Current status in the 5th year of implementation: 172 tons, ASG tariff rate: 22.5%)
 - Tariff rate of EU frozen pork belly (%): 15.9 (Jul '14-Jun '15) → 13.6 (Jul '15-Jun '16)
 - Tariff rate of EU frozen pork (%): 8.3 (Jul '14-Jun '15) → 4.1 (Jul '15-Jun '16)
 - Tariff rate of US frozen pork (%): 8.0 ('14) → 4.0 ('15) → 0 ('16)
- Although the number of domestic pig slaughter increased from the second half of 2015, the amount of imports slightly went up (2.1%) compared to the 4th year of implementation due to reduction of unit price of pork imported from the EU.
 - Number of rated pigs (10,000 head): 1,370 (Jul '14-May '15) → 1,442 (Jul '15-May '16)
 - Price of pork (KRW/kg, scalding): 4,989 (Jul '14-May '15) → 4,636 (Jul '15-May '16)

- Unit price of pork imported from the EU (USD/kg): 3.12 (Jul '14-Jun '15) → 2.65 (Jul '15-Jun '16)
- In the total imports of pork, the proportion of pork imported from the EU accounts for 50.2%, up by 9.4%p compared to before the agreement went into effect.
 - As the EU pork export market changed due to the impact by Russia's ban on import of pork from the EU, the import of frozen pork from the EU temporarily increased, but it is estimated that the import would decrease in case the ban on import is lifted.
 - Volume of pork imported from the EU to Russia (ton):
309,861 ('12) → 366,655 ('13) → 17,493 ('14) → 150 ('15)
 - In addition, the share of pork imported from the U.S. stagnates at the level of 30% except for 2014 when PED (Porcine Epidemic Diarrhea) broke out.
 - Share of pork imported from the EU (%):
36.5 ('12/'13) → 44.5 ('13/'14) → 52.5 ('14/'15) → 50.2 ('15/'16)
 - Share of pork imported from the U.S. (%):
35.8 ('12/'13) → 33.1 ('13/'14) → 29.5 ('14/'15) → 31.8 ('15/'16)

Table 3. Trend of Imports of Pork from the EU

Unit: Ton, %

Classification	Normal year before effectuation (A)	Implementation after effectuation					Rate of change (%)	
		1 st year ('11/'12)	2 nd year ('12/'13)	3 rd year ('13/'14)	4 th year ('14/'15) (B)	5 th year ('15/'16) (C)	Compared to before effectuation (C/A)	Compared to the 4 th year (C/B)
Total	139,343 (40.8)	208,271 (43.4)	125,446 (36.5)	148,558 (44.5)	240,226 (52.5)	245,278 (50.2)	76.0	2.1
Frozen pork	53,893 (25.7)	84,242 (28.6)	53,344 (23.7)	54,308 (27.2)	126,476 (42.7)	123,418 (39.5)	129.0	-2.4
Frozen pork belly	76,459 (79.3)	113,650 (87.0)	62,833 (79.5)	80,308 (86.7)	97,295 (87.7)	102,994 (84.9)	34.7	5.9
Refrigerated pork belly	54 (0.4)	952 (5.5)	108 (1.0)	112 (1.4)	272 (2.7)	384 (3.4)	605.4	41.1

Note 1) HS codes of frozen pork, frozen pork belly and refrigerated pork belly are 0203299000, 0203291000, 0203191000, respectively.

2) The figures in brackets indicate the proportion of products from the EU in the total imports.

Source: KTSPI.

☐ **With reduction of tariff rate and unit price of import, the price of frozen pork and pork belly imported from the EU dropped compared to the 4th year of implementation.**

○ The price of pork imported from the EU with reduction of tariff rate and change of exchange rate reflected is KRW 3,468/kg, which fell by 9.8% compared to the previous year.

- The import price of frozen pork and pork belly from the EU decreased by 12.4% and 9.7% respectively compared to the 4th year of implementation.

Table 4. Trend of Import Price of Pork from the EU

Unit: KRW/kg, %

Classification	Normal year before effectuation (A)	Implementation after effectuation					Rate of change (%)	
		1 st year ('11/'12)	2 nd year ('12/'13)	3 rd year ('13/'14)	4 th year ('14/'15) (B)	5 th year ('15/'16) (C)	Compared to before effectuation (C/A)	Compared to the 4 th year (C/B)
Total	3,735	4,493	3,973	3,886	3,846	3,468	-7.1	-9.8
Frozen pork	2,563 (25.0)	2,800 (20.8)	2,398 (16.6)	2,395 (12.5)	2,947 (8.3)	2,580 (4.1)	0.7	-12.4
Frozen pork belly	4,592 (25.0)	5,707 (22.7)	5,304 (20.4)	4,889 (18.1)	5,006 (15.9)	4,519 (13.6)	-1.6	-9.7
Refrigerated pork belly	6,948 (22.5)	9,446 (20.4)	7,190 (18.4)	7,594 (16.3)	7,098 (14.3)	6,764 (12.2)	-2.6	-4.7

Note 1) The total value is calculated for frozen pork, frozen pork belly and refrigerated pork belly.

2) The formula of the import price is import value X (1 + tariff rate) X exchange rate/volume of import.

3) The figures in brackets indicate the conventional tariff rate for each year of implementation.

4) As frozen pork belly has no import performance in a normal year before effectuation, the value is calculated by the average of four years except for July '09 - June '10.

Source: KTSPI.

☐ **It is estimated that the import price of pork dropped by 8.4-16.7% for the impact of decreased tariff rate by the effectuation of the Korea-EU FTA.**

○ Due to reduction of tariffs, the effect of price cut in pork imported from the EU was achieved in the 5th year of implementation, including the price of frozen pork decreasing by 16.7%, frozen pork belly by 9.1% and refrigerated pork belly by 8.4%.

Table 5. Effect of Reduction of Tariffs on Pork Imported from the EU

Unit: KRW/kg, %

5 th year of effectuation	Frozen pork	Frozen pork belly	Refrigerated pork belly
Tariff rate before the effectuation of the Korea-EU FTA (A)	3,098	4,972	7,385
Effectuation of FTA (B)	2,580	4,519	6,764
Effect of reduction of tariffs (B/A)	-16.7	-9.1	-8.4

2.2. Dairy products

□ In the 5th year of the implementation of the Korea-EU FTA, the volume of dairy product imports (95,000 tons) increased by 14.9% compared to the previous year thanks to additional expansion of TRQ and reduction of tariff rate.

○ The tariff rate of dairy products except for tariff rate quota (TRQ) is abolished over 15 years and 10 years for cheese and milk powder preparations, respectively; skim and whole milk powder is excluded from concession. The volume of the tariff quota set for each item is on the increase each year.

- TRQ of cheese starts at 4,560 tons and increases by 3% at compound interest each year. The tariff is abolished over 15 years (blue-veined cheese over 10 years).
- TRQ of skim and whole milk powder starts at 1,000 tons, increases by 3% at compound interest each year and is fixed at 1,512 tons from the 16th year; however, 176% of tariff equivalents are applied to any import exceeding TRQ each year.
- TRQ of milk powder preparations starts at 450 tons and increases by 3% at compound interest each year. The tariff is abolished over 10 years.

- In the 5th year of implementation, the volume of dairy product imports from the EU stood only at 95,220 tons, up by 14.9% compared to the 4th year, despite the conclusion of FTAs with dairy product exporting countries such as Australia and New Zealand.
 - Due to expansion of TRQ, reduction of tariff rate and increasing amount of cheese produced in the EU, the unit price of cheese decreased, which led to increasing the volume of imports from the EU. The proportion of imports in the 5th year was 34.2%, up by 11.7%p compared to the previous year.
 - With competition with New Zealand and Australia, the volume of skim milk powder imports was 7,645 tons, down by 14.1% compared to the 4th year, and the proportion of imports also decreased by 4.8%p.

Table 6. Current Status of TRQ and Volume of Cheese and Milk Powder Imports from the EU

Unit: Ton, %

Classification		Normal year before effectuation (A)	Implementation after effectuation					Rate of change (%)	
			1 st year ('11/'12)	2 nd year ('12/'13)	3 rd year ('13/'14)	4 th year ('14/'15) (B)	5 th year ('15/'16) (C)	Compared to before effectuation (C/A)	Compared to the 4 th year (C/B)
Total		38,701 (25.2)	79,324 (35.6)	58,006 (28.8)	64,692 (31.0)	82,886 (35.8)	95,220 (40.2)	146.0	14.9
Cheese	Imports	5,183 (10.3)	10,998 (14.9)	12,323 (14.5)	10,625 (12.1)	24,300 (22.5)	36,710 (34.2)	608.3	51.1
	TRQ	-	4,560	4,560	4,696	4,837	4,982	-	-
Skim and whole milk powder	Skim milk powder imports	1,140 (9.0)	23,547 (68.2)	5,622 (35.1)	7,907 (37.0)	8,900 (42.3)	7,645 (37.5)	570.5	-14.1
	Whole milk powder imports	135 (16.4)	1,235 (28.1)	267 (15.8)	320 (15.1)	78 (4.1)	411 (19.2)	204.5	426.9
	TRQ	-	1,000	1,000	1,030	1,060	1,092	-	-
Milk powder preparations	Imports	93 (8.2)	428 (15.1)	787 (31.6)	1,048 (36.8)	1,474 (48.9)	1,929 (53.7)	1972.8	30.9
	TRQ	-	450	450	463	477	491	-	-

Note: The figures in brackets indicate the proportion of products from the EU in the total imports.

Source: KTSPI, Annex to the Korea-US FTA.

□ In the 5th year of Korea-EU FTA implementation, the import price of dairy products fell due to reduction of tariffs and increasing amount of production.

○ In the 5th year of implementation, the import price of skim and whole milk powder is KRW 7,502/kg, which is the highest reduction down by 23.1% compared to the 4th year; the import price of cheese is KRW 6,158/kg, decreased by 13.6%, while the price of milk powder preparations is at the similar level of the 4th year.

Table 7. Trend of Import Price of Dairy Products from the EU

Unit: KRW/kg

Classification	Normal year before effectuation (A)	Implementation after effectuation					Rate of change (%)	
		1 st year ('11/'12)	2 nd year ('12/'13)	3 rd year ('13/'14)	4 th year ('14/'15) (B)	5 th year ('15/'16) (C)	Compar ed to before effectuation (C/A)	Compar ed to the 4 th year (C/B)
Cheese	9,514 (36.0)	8,569 (33.7)	8,372 (31.5)	9,298 (29.2)	7,127 (27.0)	6,158 (24.7)	-35.3	-13.6
Skim and whole milk powder	11,584 (176)	10,711 (176)	9,256 (176)	12,062 (176)	9,759 (176)	7,502 (176)	-35.2	-23.1
Milk powder preparations	14,197 (36.0)	23,647 (32.7)	23,077 (29.4)	24,682 (26.1)	26,403 (22.9)	26,575 (19.6)	87.2	0.7

Note 1) The formula of the import price is (import value X (1 + tariff rate) X exchange rate)/volume of import. The import price is calculated under the assumption that TRQ of each item is consumed by the proportion of the volume of imports of each detailed item in the total imports of cheese.

2) The figures in brackets indicate the conventional tariff rate for each year of implementation.

Source: KTSPI.

☐ **It is estimated that the import price of dairy products dropped by 8.6-15.6% for the impact of decreased tariff rate by the effectuation of the Korea-EU FTA.**

- Due to reduction of tariffs, the effect of price cut in dairy products imported from the EU was achieved in the 5th year of implementation, including the price of milk powder preparations decreasing by 15.6%, cheese by 10.8% and skim and whole milk powder by 8.6%.

Table 8. Effect of Reduction of Tariffs on Dairy Products Imported from the EU

Unit: KRW/kg, %

5 th year of effectuation	Cheese	Skim and whole milk powder	Milk powder preparations
Tariff rate before the effectuation of the Korea-EU FTA (A)	6,906	8,212	31,477
Effectuation of FTA (B)	6,158	7,502	26,575
Effect of reduction of tariffs (B/A)	-10.8	-8.6	-15.6

2.3. Grain

☐ **In the 5th year of implementation, grain imported from the EU decreased by 2.7% compared to the previous year, but it increased by about 4.7 times compared to a normal year before effectuation.**

- The volume of corn, barley and wheat imported from the EU all significantly rose compared to an average year; however, the proportion of grain imported from the EU in the total amount of grain is 5.6%, down by 0.3%p compared to the 4th year of implementation.
 - When it comes to barley, hulled barley and naked barley are excluded from concession.

- Malt not roasted (including malting barley) is imported without tariffs by the Korea-EU FTA TRQ. The tariff for any TRQ excess is abolished over 15 years, and ASG is operated over 16 years (Current status in the 5th year of implementation: 14,856 tons, ASG tariff rate for malt: 246.0%)
- In terms of corn, the tariff for other corn types with a high tariff rate is abolished over 13 years, while the tariff for corn flour is immediately abolished.
- As for wheat, the tariff for meslin and wheat for milling (1.8-3%) is immediately abolished.

Table 9. Trend of Imports of Major Grains from the EU

Unit: Ton, %

Classification	Normal year before effectuation (A)	Implementation after effectuation					Rate of change (%)	
		1 st year ('11/'12)	2 nd year ('12/'13)	3 rd year ('13/'14)	4 th year ('14/'15) (B)	5 th year ('15/'16) (C)	Compared to before effectuation (C/A)	Compared to the 4 th year (C/B)
Total imports	180,754 (1.5)	337,298 (2.5)	634,670 (4.4)	1,291,033 (8.8)	872,800 (5.9)	849,339 (5.6)	369.9	-2.7
Corn	170,949 (2.1)	319,888 (4.2)	618,838 (7.4)	408,592 (4.2)	265,103 (2.6)	414,124 (4.1)	142.2	56.2
Barley	1,659 (0.8)	15,900 (6.1)	14,083 (4.9)	17,164 (5.9)	42,539 (13.3)	47,475 (18.8)	2,761.3	11.6
TRQ (Malt not roasted)	-	10,000	10,000	10,800	11,600	12,400	-	-
Wheat	7,578 (0.2)	1,269 (0.03)	1,456 (0.03)	864,995 (20.8)	564,902 (14.9)	387,309 (9.1)	5,011.2	-31.4

Note: The figures in brackets indicate the proportion of products from the EU in the total imports.

Source: KTSPI.

□ In the 5th year of implementation, the import price of other corn types and malt dropped compared to before effectuation, while that of corn flour and wheat increased.

- After the Korea-EU FTA went into effect, the import price of barley decreased due to TRQ and abolishment of tariffs; however, the import price of malt increased by 4.8% compared to the 4th year due to an increase in demand.
- Despite complete abolishment of tariffs, the import price of corn flour and flour increased by 4.3% and 42.9% respectively compared to before effectuation.

Table 10. Trend of Import Price of Grains Imported from the EU

Unit: KRW/kg

Classification		Normal year before effectuation (A)	Implementation after effectuation					Rate of change (%)	
			1 st year ('11/'12) (2)	2 nd year ('12/'13) (3)	3 rd year ('13/'14) (4)	4 th year ('14/'15) (B)	5 th year ('15/'16) (C)	Compared to before effectuation (C/A)	Compared to the 4 th year (C/B)
Corn	Other corns	1,263 (328.0)	1,588 (304.5)	1,529 (281.1)	1,207 (257.7)	829 (234.2)	924 (210.8)	-26.8	11.4
	Corn flour	665 (5.0)	741 (0.0)	720 (0.0)	746 (0.0)	825 (0.0)	694 (0.0)	4.3	-15.9
Barley	Malt not roasted	2,804 (269.0)	1,059 (252.1)	1,129 (235.3)	1,249 (218.5)	1,741 (201.7)	1,824 (184.9)	-35.0	4.8
Wheat	Flour	748 (4.2)	1,115 (3.1)	997 (2.1)	1,030 (1.0)	928 (0.0)	1,069 (0.0)	42.9	15.1

Note 1) As other corn types have no import performance in a normal year before effectuation, the value is calculated by the average of the period one to three years before effectuation.

2) The formula of the import price is import value X (1 + tariff rate) X exchange rate/volume of import. The import price of malt (barley, not roasted) is the price with tariff-free TRQ applied.

3) The figures in brackets indicate the conventional tariff rate for each year of implementation.

Source: KTSPI.

□ It is estimated that the import price of major grains (corn, barley, wheat) dropped by 2.9-27.4% for the impact of decreased tariff rates by the effectuation of the Korea-EU FTA.

○ Due to reduction of tariffs, the effect of price cut in grains imported from the EU was achieved in the 5th year of implementation, including the import price of other corn types decreasing by 27.4%, malt (not roasted) by 19.9%, corn flour by 4.8% and flour by 2.9%.

Table 11. Effect of Reduction of Tariffs on Grains Imported from the EU

Unit: KRW/kg, %

5 th year of effectuation	Corn		Barley	Wheat
	Other corns	Corn flour	Malt not roasted	Flour
Tariff rate before the effectuation of the Korea-EU FTA (A)	1,272	729	2,276	1,101
Effectuation of FTA (B)	924	694	1,824	1,069
Effect of reduction of tariffs (B/A)	-27.4	-4.8	-19.9	-2.9

3. Domestic Measures for Supplementation of FTA

3.1. Current status of domestic measures for supplementing the Korea-EU FTA

☐ In 2010, the government established measures worth of KRW 10 trillion and 800 billion³⁾ in preparation of the Korea-EU FTA.

- Domestic measures for supplementing the agricultural sector of the FTA are prepared with the aim of “establishing the agricultural production basis with competitiveness under the FTA environment.”
 - Domestic measures of KRW 10 trillion and 800 billion for each policy target were established in order to raise competitiveness of the livestock sector, which was expected to have a significant damage by the conclusion of the pact, and improve the industrial structure.
 - Six policy targets have been set and 27 detailed projects (modernization of livestock facilities, stabilization of supply and demand of raw milk, support for milk for processing, vitalization of natural recycling agriculture, improvement of livestock, etc.) have been implemented.

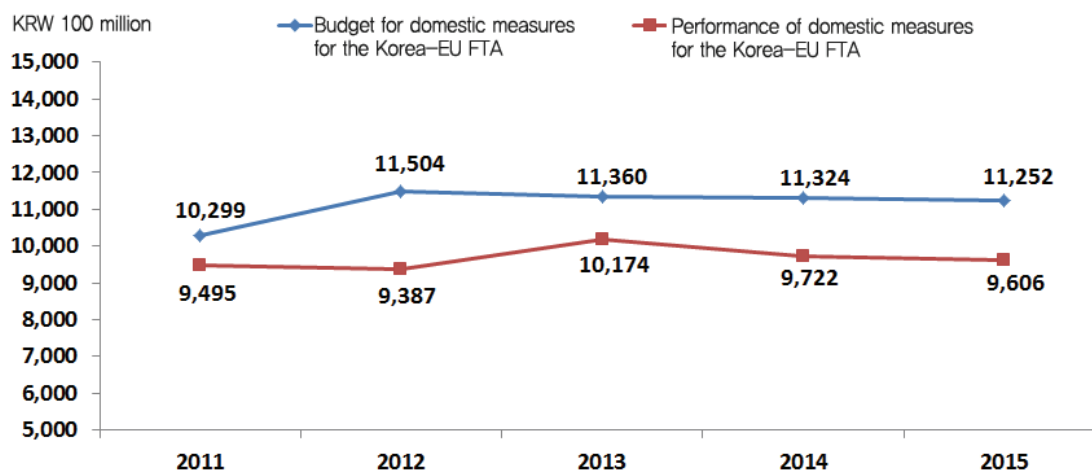
3) This includes any overlapped projects with domestic measures for supplementing the Korea-EU FTA, extended period, increased budget, etc.

□ **Investment and loan budget for domestic measures to supplement the Korea-EU FTA for the last five years (2011-2015) is KRW 5 trillion and 573.9 billion; the budget actually executed by the government stood at KRW 4 trillion and 838.4 billion.**

○ KRW 4 trillion and 838.4 billion was executed, which is 86.8% of the total budget (KRW 5 trillion and 573.9 billion) for domestic measures to supplement the Korea-EU FTA in 2011-2015.

- The recent budget execution rate is low due to insufficient execution of loan projects for lowering interest rates and burden on security.
- In 2015, budget for domestic measures to supplement the Korea-EU FTA was KRW 1 trillion and 125.2 billion; the budget executed was KRW 960.9 billion (execution rate: 85.4%).

Figure 4. Budget and Performance of Domestic Measures for the Korea-EU FTA Agricultural Sector



Source: Ministry of Agriculture, Food and Rural Affairs (MAFRA).

Table 12. Financial Support Plan for the Korea-EU FTA

Unit: KRW 100 million

Policy target/Project name	'11	'12	'13	'14	'15	'16-'20	Total
1. Reinforcement of competitiveness of livestock industry	5,067	6,623	6,263	5,659	5,590	27,056	56,258
- Modernization of livestock facilities	1,633	2,760	2,200	1,692	1,544	5,101	14,930
- Support for specialization of breeding stock	112	247	147	89	-	-	595
- Improvement of beef productivity	30	25	18	-	-	-	73
- Modernization of calf auction facilities	5	10	9	9	-	-	33
- Support for livestock and egg transporting special vehicles	8	15	13	13	-	-	49
- Comprehensive fund for livestock management	1,226	1,396	1,356	1,356	1,416	9,716	16,466
- Support for organization of Korean native cattle farms	50	-	-	-	-	-	50
- Comprehensive support for the feed industry	400	600	950	1000	930	4,169	8,049
- Support for slaughter processing companies	1,500	1,500	1,500	1,500	1,700	8,000	15,700
- Modernization of agricultural food facilities	70	70	70	-	-	70	280
- Establishment of exhibition, experience and promotion hall for agriculture and stockbreeding	15	-	-	-	-	-	15
- Comprehensive guidance and support for stockbreeding	18	-	-	-	-	-	18
2. Management of supply and demand of livestock products	726	1,049	773	810	1,167	4,055	8,580
- Check-off fund for stockbreeding	248	214	214	193	230	850	1,949
- Support for production stability of calves	68	426	43	13	43	49	642
- Stabilization of supply and demand of raw milk	5	4	-	-	-	-	9
- Stabilization of supply and demand of raw milk (school meals, adjustment of supply and demand)	305	333	416	482	754	2,156	4,446
- Support for milk for processing	100	72	100	122	140	1,000	1,534
3. Hygienic safety of livestock products	219	237	182	182	223	908	1,951
- Animal products traceability	154	165	182	182	223	908	1,814
- Support for livestock HACCP certification	65	72	-	-	-	-	137
4. Support for eco-friendly stockbreeding	2,138	2,260	2,736	3,036	2,636	10,175	22,981

- Expansion of basis for roughage production	1,065	1,240	1,540	1,577	1,363	5,246	12,031
- Livestock manure processing facilities	801	708	870	976	815	3,661	7,831
- Vitalization of natural recycling agriculture	242	242	224	310	279	-	1,297
- Direct payment for eco-friendly agriculture (stockbreeding)	30	70	102	173	179	1,268	1,822
5. Livestock disease control	1,798	1,001	991	1,233	1,159	8,254	14,436
- Livestock disease control in cities and provinces	1,575	803	783	1,020	899	6,981	12,061
- Livestock Health Control Association	223	198	208	213	260	1,273	2,375
6. Dissemination of livestock technology	351	334	415	404	477	1,844	3,825
- Support for livestock improvement	344	327	408	397	477	1,816	3,769
- Nurturing meat processing specialists	7	7	7	7	-	28	56
Total	10,299	11,504	11,360	11,324	11,252	52,292	108,031

Source: MAFRA.

3.2. Performance of Domestic Measures to Supplement the Korea-EU FTA

☐ **Domestic measures to supplement the Korea-EU FTA have tangible performances such as improvement of stockbreeding productivity and spread of eco-friendly stockbreeding by carrying out major detailed projects.**

○ Domestic supplementing measures, which are classified by purpose and content of each government policy, have a positive impact on the supply and demand of livestock products and income of livestock farms.⁴⁾

4) For more details, refer to the “Report on Analysis of Performance for Supporting Those Engaged in Agriculture as Domestic Measures for Supplementation of FTA 2015.”

- Projects for modernizing livestock facilities and improving livestock contribute to raising the productivity of each livestock type.
 - “Marketed-pigs per sow per year (MSY),” a major indicator for the productivity of pigs, slightly decreased by the impact of diseases such as foot-and-mouth disease and PED; however, the “number of pigs born alive” is on the increase.
 - ※ Marketed-pigs per sow per year (MSY): 17.3 (’13) → 16.9 (’14) → 16.8 (’15)
 - ※ Number of pigs born alive (head): 11.42 (’13) → 11.48 (’14) → 11.59 (’15)
 - “Milk yields per head” in dairy business continuously increased and stood at 9,103kg in 2015, up by 144kg compared to the previous year.
- The projects for vitalizing natural recycling agriculture and supporting livestock manure processing facilities contribute to realizing natural recycling agriculture and spreading eco-friendly stockbreeding.
 - 41,990,000 tons (90.2%) of livestock manure were recycled as resources among the total amount of livestock manure of 46,530,000 tons in 2015.
 - ※ Rate of recycling livestock manure as resources (%): 89.2 (’13) → 89.7 (’14) → 90.2 (’15)

4. Summary & Implications

□ In the 5th year of the Korea-EU FTA implementation, the value of import of agricultural and livestock products from the EU decreased by 4.7% compared to the previous year, while the value of export also fell by 1.5%

○ It is analyzed that a decrease in the value of import of livestock products and grains is one of major reasons in reducing the value of trade with the EU.

- When it comes to pork, which accounts for 18.5% of the total imports, the import price decreased by 9.8% in the 5th year of implementation compared to the previous year, and the value of imports also dropped by 13.2%.

- In terms of wheat imported from the EU (2.5% of all imports), the value of imports decreased by 39.7% in the 5th year of implementation compared to the previous year as the proportion of import by feed-use wheat importing countries such as Ukraine is on the increase.

□ In 2015, the utilization rate of FTA preferential tariffs for agricultural and livestock products imported from the EU was 82.2%, and that of preferential tariffs for export to the EU was 69.5%

○ Items whose rate of utilizing FTA preferential tariffs for import is 90% or over among products with USD 100 million of imports from the EU or over include pork, cheese, wine, etc.

- Items whose rate of utilizing FTA preferential tariffs for export is 90% or over among products with USD 10 million of exports to the EU or over include gelatin, ramen, etc.

- **Support for domestic measures to supplement the Korea-EU FTA contributes to raising competitiveness of the stockbreeding sector, including improvement of productivity in the industry and eco-friendly livestock production.**
 - With the aim of establishing a competitive agricultural basis, the government prepared a plan on investment and loan worth a total of KRW 10 trillion and 800 billion for the next decade as a measure for the Korea-EU FTA (Nov. '10).
 - Budget of KRW 4 trillion and 800 billion (86.8%) was executed in the total of KRW 5 trillion and 600 billion for the last five years ('11-'15).

 - Productivity in each livestock type is enhanced by projects for financing and supporting facilities such as modernization of livestock facilities and improvement of livestock.
 - Livestock production indices such as number of pigs born alive and milk yields per head have been on the increase each year since 2013.

 - As the rate of recycling livestock manure as resources reached 90% or over thanks to projects such as support for livestock manure processing facilities and vitalization of natural recycling agriculture, the foundation for eco-friendly stockbreeding is laid.

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