



# Bi-weekly Bulletin

September 9, 2005 Volume 18 Number 16

## SOUTH KOREA

South Korea is the largest of the four “Asian tigers” (Taiwan, Hong Kong and Singapore) and in 2003 was the 12th largest merchandise (exports and imports) trading nation in the world. It is also one of the world’s largest feed grain importers. South Korea’s livestock industry is growing and the market for feed grain is expected to continue to expand. In 2004-2005, South Korea was the fifth largest importer of Canadian wheat which was especially important to Canada because of a surplus of feed quality wheat in western Canada caused by adverse weather conditions which lowered crop quality. For 2005-2006, the Canadian Wheat Board (CWB) recently signed an agreement to sell premium quality Canada Western Red Spring wheat to Korean flour mills. Korea is also a large importer of Canadian malt.

In July 2005, Canada formally announced the launch of bilateral free trade negotiations. A Free Trade Agreement (FTA) which would enhance Canada’s important bilateral economic relationship with South Korea would also strengthen our presence in the dynamic northeast Asian region. This issue of the *Bi-weekly Bulletin* examines South Korea’s agriculture industry and the potential for increased trade with Canada.

### BACKGROUND

The Asia-Pacific Region is Canada’s second largest trading partner. It accounted for about 5% of trade in 2004. Within the Pacific Rim countries, South Korea ranked as Canada’s third largest trading partner of the region behind China and Japan. In 2003, South Korea accounted for 11% of Canada’s exports to this area. Canada’s major competitors for the South Korean agri-food import market are the United States (US), China, Japan, the European Union (EU) and Australia.

In 2005, the population of South Korea is about 48 million (M) with a land mass of 100,000 square kilometres but only 20% is arable. The major crops grown are rice, barley, corn, soybeans, white and sweet potatoes, fruits and vegetables. South Korea depends on imports for 60-70% its food and feed needs. This has increased from about 50% in 1990 and 40% in 1980.

According to *The World Factbook*, South Korea’s Gross Domestic Product (GDP) was US\$925 billion (G)

(2004 estimate), the world’s 16th largest economy. In comparison, Canada’s GDP was US\$1.023 trillion, the 13th largest economy in the world. GDP per capita in 2004 was US\$31,500 for Canada and US\$19,200 for South Korea.

In 2004, two-way merchandise trade was approximately CAN\$8.1G (Canada exported CAN\$2.3G and imported CAN\$5.8G) and two-way direct investment was over CAN\$1G (Canadian direct investment in Korea was CAN\$686M). The excess of Canadian imports over exports has created a trade deficit of CAN\$3.5G. In 2003, two-way trade in services was CAN\$889M (Canada exported CAN\$595M and imported CAN\$294M).

Canada’s interest in Korea lies in three main areas: tapping into the value chains of globally competitive production and supply from Korean corporations; selling raw materials and key competitive technologies and products; and, employing Korea as a strategic base to establish an export and manufacturing presence in Northeast Asia. Current and potential

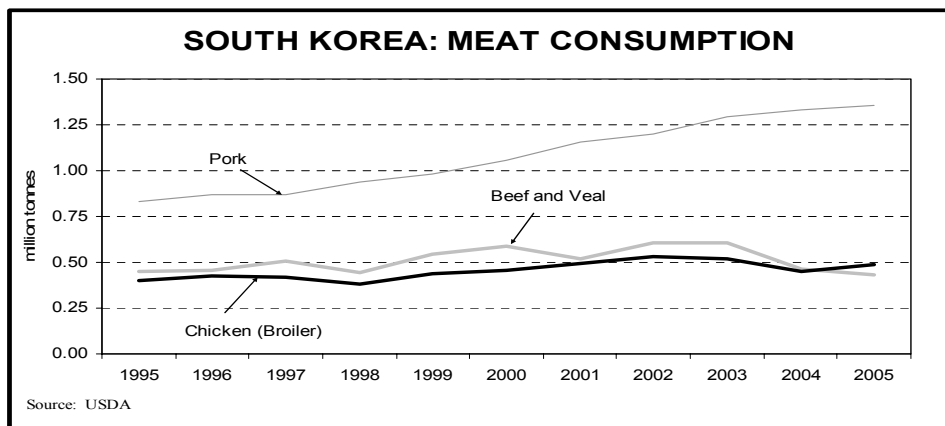
export growth exists in many sectors, including; wood pulp, mineral fuels, metals, electrical machinery, shellfish and a wide variety of agricultural products. Korean exports to Canada cover a broad range of sectors, dominated by motor vehicles and auto parts, electrical machinery, computers, rubber, and steel. In 2004, 1.74% of Canada’s imports came from South Korea and 0.57% of Canada’s exports went to South Korea.

### AGRICULTURE

#### Trade

In 2004, South Korea was the world’s 9th largest exporter (total trade) and 13th largest importing country.

The seven main suppliers to South Korea are: the US, Australia, Malaysia, New Zealand, Canada, EU and China. In 2004, it imported US\$10.5G in agricultural goods, which accounted for 4.7% of its total imports. Its agriculture exports were US\$1.7G. South Korea imported US\$14.7G of agricultural, forestry and fishery products in 2004, a 9% increase from 2003.



In 2004, Canada exported CAN\$244.3M of agri-food products to South Korea, with wheat accounting for 31% and pork 13%. Canada imported CAN\$42M of agri-food products from South Korea, with pasta accounting for 34%.

### Industrial Structure

The number of people employed in the agriculture, forestry, and fishery sectors has declined from about 60% in 1965 to less than 10% currently. Although agriculture only accounts for 3.6% of GDP, it accounts for 8.8% of employment. Since the 1960's, South Korea has been a large net importer of agriculture products, mostly consisting of: raw materials to support the manufacture of clothing and shoes for exports, wheat for food use and feed for livestock.

### Meat Consumption

Asia-Pacific countries are generally moving towards a more western style diet. The demand for more variety, food-away-from-home and pre-packed convenience foods has increased significantly. This is due to increasing affluence, more women in the workforce, and a younger generation which is well-traveled and has acquired a taste for different types of food.

The demand for meat and poultry products in South Korea has increased significantly over the past decade in response to higher per capita income. However, after trending upward until 2003, consumption of beef and veal has recently declined. With the ban on US and Canadian beef due to Bovine Spongiform Encephalopathy (BSE), imports fell in 2004, causing beef consumption to decrease. With this ban, imported beef prices have risen, and consumers are switching to pork and poultry. Domestic beef prices have fallen somewhat, but still are roughly five times the imported beef price. Chicken consumption has remained constant while pork consumption has been increasing. Poultry consumption has recovered from the temporary, but dramatic decline in 2004 due to avian influenza concerns.

### Livestock Production

The limited amount of land for agriculture production constrains the expansion of the livestock industry. While hog and dairy cow numbers continue to decrease, beef cattle numbers are increasing, and chicken inventories have remained relatively stable.

### Poultry

The production of layer and broiler chickens is expected to increase due to strong demand for poultry products and low compound feed prices in the poultry sector. South Korea currently uses imported chicken meat at restaurants and fast food chains. With the demand for poultry products on the rise, this will lead to a production increase in both layer and broiler chickens. Chicken farms have been evolving towards larger, more efficient farms due to increasing foreign competition.

### Beef and Dairy

The majority of the South Korean cattle herd is made up by native *Hanwoo* cattle which account for 70% of domestically raised beef while *Holstein* dairy cows make up the rest. Dairy cattle numbers are decreasing due to overproduction of milk and a herd reduction program. The typical herd size is usually between 1-4 head. However, the increase in numbers of beef cattle is expected to be reversed if Korea re-opens its border to US beef.

In 2003, South Korea banned imports of beef and dairy products from Canada and the US when BSE was discovered. Prior to this ban, South Korea was Canada's fourth largest beef importer.

### Hogs

South Korea's hog industry was hit with swine fever and foot-and-mouth disease in 2000. Many countries have banned pork imports from South Korea due to these diseases.

SOUTH KOREA: LIVESTOCK INVENTORIES				
	Swine	Dairy Cows	Beef Cows	Chickens*
	.....thousand head.....			thousand birds
<b>2002</b>	8,879	545	1,423	104,326
<b>2003</b>	9,149	535	1,426	99,263
<b>2004</b>	9,046	508	1,624	97,631
<b>2005</b>	8,845	492	1,770	101,190

\* includes Layer and Broiler  
Source: USDA

SOUTH KOREA: WHEAT IMPORTS MARKET SHARE BY SOURCE					
	2000	2001	2002	2003	2004
	.....percent.....				
US	45	43	39	43	41
Australia	38	30	31	28	38
China	-	7	11	15	9
Canada	8	9	4	5	5
India	-	7	5	3	4
Ukraine	2	5	11	4	2

Note: Wheat Includes Durum; Market Shares may not total 100 due to rounding  
Source: Global Trade Atlas

The Korean Government recently announced a mandatory registration for hogs. Regulations require that hog farmers register their operations with the municipal government. Farmers must demonstrate that they have a minimum amount of space per animal

and agree to attend extension classes on environmentally friendly agriculture once a year. Because of this regulation, inventories of hogs continued to decrease in the market year 2004-2005.

## Rice

Rice is South Korea's largest agriculture commodity produced. In 2004-2005, South Korea production of milled rice was 5 million tonnes (Mt) and rough rice was 6.7 Mt. Since 2000, area harvested has been decreasing, but is expected to increase in the 2005-2006 crop year. In 2004, imports were to be 4% of domestic consumption. These imports were not allowed to go directly to consumers but had to be channelled into the processing industry. In 2005, Korea modified its rice tariff quota import commitments in the World Trade Organization (WTO) such that the amount of imports at the lower in-quota tariffs will increase over the next ten years to 8% of domestic consumption and of these imports 10%, rising to 30% could go into the retail sector. There are also some country quotas within the import amount. Rice imports have been increasing over the past five years from 95,000 tonnes (t) in 2000-2001 to 220,000 t in 2004-2005. Imported rice is steadily making up an increasing percentage of total consumption. At the same time, per capita rice consumption has decreased to 82 kilograms (kg) in 2004 from 120 kg in 1990. The decrease in rice consumption is due to an increase in consumption of instant food, processed meals and rice substitutes, including bread and noodles and children eating more fast food.

## Cereal Grain

In 1994, almost 20% of Canada's total exports to South Korea consisted of cereal grains (wheat, oats, and rye). Ten years later, grains have dropped to 2%, due to increased competition from Australia, China and Ukraine. At the same time, the proportion of grains and other concentrates in the *Hanwoo* cattle feed rations is increasing, and the scale of feedlots, fattening purchased calves and culling of calves is growing.

## Wheat

South Korea produces virtually no wheat. For 2004-2005, it imported 3.7 Mt of wheat, 60/40 for food/feed use. Imported milling wheat is used

### SOUTH KOREA: WHEAT SUPPLY AND DISPOSITION

<i>crop year</i>	2000	2001	2002	2003	2004	2005
<i>July-June</i>	-2001	-2002	-2003	-2004	-2005	-2006
Harvested Area (kha)	1	1	2	2	3	3
	.....thousand tonnes.....					
Carry-in Stocks	1,050	1,050	1,100	985	958	943
Production	2	3	6	10	10	10
Imports	<u>3,127</u>	<u>3,979</u>	<u>4,052</u>	<u>3,434</u>	<u>3,700</u>	<u>3,700</u>
<b>Total Supply</b>	<b>4,179</b>	<b>5,032</b>	<b>5,158</b>	<b>4,429</b>	<b>4,668</b>	<b>4,653</b>
Exports	128	122	123	131	125	125
Feed	689	1,497	1,670	920	1,200	1,200
Other Domestic Consumption	<u>2,312</u>	<u>2,313</u>	<u>2,380</u>	<u>2,420</u>	<u>2,400</u>	<u>2,400</u>
<b>Total Use</b>	<b>3,129</b>	<b>3,932</b>	<b>4,173</b>	<b>3,471</b>	<b>3,725</b>	<b>3,725</b>
<b>Carry out Stocks</b>	<b>1,050</b>	<b>1,100</b>	<b>985</b>	<b>958</b>	<b>943</b>	<b>928</b>
Stocks-to-use ratio (%)	34	28	24	28	25	25

### SOUTH KOREA: CORN SUPPLY AND DISPOSITION

<i>crop year</i>	2000	2001	2002	2003	2004	2005
<i>October-September</i>	-2001	-2002	-2003	-2004	-2005	-2006
Harvested Area (kha)	16	14	17	17	18	19
	.....thousand tonnes.....					
Carry-in Stocks	1,038	1,229	1,172	1,285	1,428	1,006
Production	64	57	73	70	78	80
Imports	<u>8,743</u>	<u>8,621</u>	<u>8,786</u>	<u>8,783</u>	<u>8,300</u>	<u>8,500</u>
<b>Total Supply</b>	<b>9,845</b>	<b>9,907</b>	<b>10,031</b>	<b>10,138</b>	<b>9,806</b>	<b>9,586</b>
Exports	-	-	-	-	-	-
Feed	6,460	6,584	6,569	6,602	6,700	6,800
Other Domestic Consumption	<u>2,156</u>	<u>2,151</u>	<u>2,177</u>	<u>2,108</u>	<u>2,100</u>	<u>2,100</u>
<b>Total Use</b>	<b>8,616</b>	<b>8,735</b>	<b>8,746</b>	<b>8,710</b>	<b>8,800</b>	<b>8,900</b>
<b>Carry out Stocks</b>	<b>1,229</b>	<b>1,172</b>	<b>1,285</b>	<b>1,428</b>	<b>1,006</b>	<b>686</b>
Stocks-to-use ratio (%)	14	13	15	16	11	8

### SOUTH KOREA: BARLEY SUPPLY AND DISPOSITION

<i>crop year</i>	2000	2001	2002	2003	2004	2005
<i>October-September</i>	-2001	-2002	-2003	-2004	-2005	-2006
Harvested Area (kha)	68	91	79	61	70	70
	.....thousand tonnes.....					
Carry-in Stocks	-	-	-	-	-	-
Production	229	383	300	220	260	260
Imports	<u>85</u>	<u>102</u>	<u>65</u>	<u>67</u>	<u>100</u>	<u>100</u>
<b>Total Supply</b>	<b>314</b>	<b>485</b>	<b>365</b>	<b>287</b>	<b>360</b>	<b>360</b>
Exports	-	-	-	-	-	-
Feed	5	30	30	30	30	30
Other Domestic Consumption	<u>309</u>	<u>455</u>	<u>335</u>	<u>257</u>	<u>330</u>	<u>330</u>
<b>Total Use</b>	<b>314</b>	<b>485</b>	<b>365</b>	<b>287</b>	<b>360</b>	<b>360</b>
<b>Carry out Stocks</b>	-	-	-	-	-	-
Stocks-to-use ratio (%)	0	0	0	0	0	0

Source: USDA, PSD Official Statistics

for snacks, cakes, bread and noodles. Since feed wheat prices are expected to be attractive compared to corn prices, it is projected that feed wheat imports will increase in 2005-2006.

The export market is dominated by Australia and the US, at about 40% each, in 2004. Australian Soft White wheat is a low-protein wheat preferred for noodle production. Almost half of the imports from the US are also a soft white wheat, which is not a major class produced in Canada. Canada has not been, and is not expected to be, a dominant player in the market for milling wheat but South Korea is expected to continue to be an important market for Canadian spring wheat. The CWB has signed an agreement to sell 120 thousand tonnes (kt) of premium quality Canada Western Red Spring wheat to the Korean Flour Mills Industrial Association (KFIA) for delivery between November 1, 2005 and October 31, 2006. This is the first formal signed agreement between the CWB and KFIA.

South Korea has often been a market for Canadian feed wheat in years when, due to poor growing conditions, Canadian supplies of low quality wheat have been in surplus. Feed wheat exports from Canada increased significantly in 2004-2005.

Over the next ten years, the world wheat trade is projected by the United States Department of Agriculture (USDA) to increase by about 15% of which the Asia-Pacific region is expected to account for nearly 50%. Canada's ability to capture an increased share of this growing market will depend on the availability of the types of wheat demanded by this market. The new class of hard white spring wheat being produced in Canada is reported to have good noodle-making characteristics, and may help position Canada to increase its market share in the Asian noodle market.

#### **Coarse Grains**

Korean coarse grain production is quite small, and consists mainly of barley and corn. The quantity of coarse grains that South Korea imports has

increased slightly over the past five years.

Corn is the major feed grain, with very limited domestic production averaging about 75,000 t. Consumption of corn for livestock feed has averaged 6.7 Mt over the past 5 years, and has increased from under 2 Mt in the late 1970s to about 7 Mt in 2005. Compound feed production has grown in the last couple of years. Dairy cattle numbers have decreased, but production of compound feed for *Hanwoo* cattle and poultry is expected to increase, due to the ban on imports of Canadian and US beef. Corn imports are expected to remain stable at 8.5-9.0 Mt, with the US, China and Brazil the main competitors for the South Korean market. Small quantities of rye are also imported for feed. In 2004-2005, Canada exported 3,304 t of rye to South Korea.

Barley's prominence in South Korean agriculture is due to its close historical relationship with rice. In production, barley is double cropped with rice during the short winter season. In consumption, pearled barley is used as an affordable rice extender: kernels are split, rolled and blended with the more expensive rice to reduce the cost of the product. Barley production averages about 0.25 Mt, most of which is used for human food. The largest exporter of malt (not roasted) barley to South Korea is Australia.

#### **Malt**

In 2004, Canada exported almost 22 kt of malt to South Korea. South Korea was Canada's fifth largest market for this product.

Beer consumption in South Korea increased by 2.9% per year over the 1998-2003 period to 27.2 million hectolitres. Per capita beer consumption was about 45 litres (L) in 2003, slightly higher than Japan but low compared to about 84 L in the US.

#### **Oilseeds and products**

Over the next 3 to 5 years, the South Korean oilseed market is expected to grow at a rate of 3-5% a year. The import market is dominated by soybeans, with virtually no canola or canola oil imported.

#### **Soybeans**

South Korea relies almost completely on oilseed imports. Soybean area and production levels are expected to remain small and stable in South Korea. Currently 85% of soybeans that are manufactured into soy products come from the US.

In 2002, the government initiated a rice area reduction program which included a favourable government purchase price for soybeans that are grown on former rice paddies. In the marketing year 2004-2005, soybean area increased to 85.3 thousand hectares (kha), by 6% from last year. It is projected that in 2005-2006, soybean area will increase to about 86.5 kha.

Total soybean imports are expected to increase to 1.6 Mt in 2005-2006 from 1.5 Mt in 2004-2005. The growth of imports has been due to the improving financial environment in the crushing industry. Over 80% of imported soybeans are processed into meal and oil and 20% is used by the food-processing sector. The Shin Dong Bang Corporation is building a new vegetable oil refinery which will have the capacity to refine 150 t per day of crude soybean oil and is expected to open in the second half of 2005.

#### **Soymeal**

Production of soymeal is expected to gradually increase in both 2004-2005 and 2005-2006. This is due to an anticipated increased demand from the feed industry and improved crushing margins. It is forecast that imports of soymeal will be 1.40 Mt in the 2005-2006 market year, which is up from 1.35 Mt in 2004-2005. Since 1999-2000, soymeal extraction rates have decreased to 75% from 79% because crushers have increased the production of dehulled soybean meal.

#### **Pulse Crops**

Pulse Canada has targeted South Korea as a market for feed peas. In December 2003, South Korea reduced the import tariff rate from 27% to 2% on a tariff rate quota (TRQ) of 160 kt for feed peas. In February 2004, the TRQ was increased to 450 kt but was reduced to 105 kt in 2005.

Currently, Canada is not a large exporter of pulse crops to South Korea, but there is an opportunity to export more feed peas, since feed peas are competitive with lupins and other feed ingredients.

Last year, Canada exported 1 kt of feed peas to South Korea and only 270 t made it through inspection. The rest was rejected, due to South Korean inspectors finding some straw in the peas, which they felt could be a carrier for Hessian flies. Currently the National Quarantine Services in South Korea and the Canadian Food Inspection Agency are working on a fumigating protocol. Until this protocol is accepted, exporters will be hesitant to sell feed peas to South Korea for fear of having it rejected.

In 2003, Canada exported 2,440 t of beans and 609 t of peas to South Korea and in 2004, 2,060 t of beans, 172 t of lentils and 1,552 t of peas were exported. For 2005-2006 it is forecast that Canada's exports of beans and lentils will be higher than 2004-2005 levels. Canada exports broad beans and fababeans to South Korea.

## POLICY ENVIRONMENT

South Korea has one of the most protected agriculture economies in the world. The government's trade policies have imposed strong import barriers and have strongly supported farm prices and production of certain commodities. Producers are supported by high prices resulting from government purchases and high tariffs, import quotas and minimum market access agreements that protect domestic producers from import competition. Non-governmental organizations and consumer groups play an influential role in government farm policy.

<b>PRODUCER SUPPORT ESTIMATE: COMPARISON BY COUNTRY</b>					
	1999	2000	2001	2002	2003
.....percent of value of gross farm receipts.....					
Australia	5.35	4.33	3.41	4.21	4.07
US	25.62	22.16	22.95	18.94	17.98
Canada	17.90	18.61	17.11	19.57	21.27
EU 15	39.67	34.44	33.86	35.16	37.36
Japan	60.39	60.15	59.14	57.26	57.63
<b>South Korea</b>	<b>65.84</b>	<b>66.73</b>	<b>62.80</b>	<b>68.61</b>	<b>60.48</b>
<i>OECD Average</i>	<i>35.64</i>	<i>32.45</i>	<i>30.72</i>	<i>31.21</i>	<i>31.71</i>

Source: OECD

### Domestic Policy

South Korean agricultural policy has two major goals, which are self-sufficiency and parity between farm and urban household incomes. To achieve these goals, the government uses strong producer price incentives and import barriers. Domestic production of rice, barley, corn, soybeans and tobacco are subsidized, with import barriers to protect rice, barley, vegetable, fruit and livestock farming. South Korea does not currently provide export subsidies for agriculture.

Rice is central to South Korea's agricultural policy, with the government affecting prices and producer income by purchasing a large amount of total rice production. Prior the Uruguay Round Agreement on Agriculture (URAA), the government of South Korea promoted a policy of self-sufficiency in rice designed to increase production and reduce consumption. Producer prices were supported by minimizing imports of rice.

Consumption of rice was reduced by making it mandatory to blend barley and wheat with rice. Most processing uses of rice were forbidden. Between the years 1990 and 1997, the average amount of rice purchased was 26%. This comes at a high cost to the budget and taxpayers. Since 1995, South

Korea's Aggregate Measure of Support commitment to the WTO, has limited these subsidies and government rice purchases dropped to 17% of year 2000 production.

### Support Programs

In South Korea, support programs that are linked to either current outputs or inputs are above 90%.

The producer support estimate (PSE) is at 63% versus the 30% average of the OECD in the period 2002-2004. The PSE as a percent of the gross value of farm receipts averaged about 60% in South Korea, slightly higher than Japan, but significantly higher than Canada and the US which averaged 21% and 18%, respectively.

South Korea's PSE increased to US\$19.8G in 2004 from \$17.3G in 2003. The majority of the PSE subsidies were government purchases of mandatory import quotas on key goods such as rice. This prevented the opening up of its market fully to outside competition. Direct support for farmers accounted for about 10% of the PSE. The PSE for rice is 76% and 89% for beans. With government programs supporting producers, the consumer support estimate is always negative. This represents an implicit tax on consumers.

<b>SOUTH KOREA: ADJUSTMENT TARIFF FOR 2005 CROP YEAR</b>			
Commodity	General Tariff (percent) <sup>1/</sup>	Quota Tariff Rate	
		2004	2005
Wheat for feed	3	0	0
Wheat for milling	3	1	1
Malting Barley	30	15	15
Unhulled barley for feed	5	2	2
Maize for feed	5(3) <sup>2/</sup>	0	0
Maize for process	5(3) <sup>2/</sup>	1	1
Malt	30	15	10
Soybeans	5(3) <sup>2/</sup>	0	0

<sup>1/</sup> Basic Tariff Rate  
<sup>2/</sup> The number in parentheses is a temporary rate superseding the listed base rate.  
Source: USDA-Foreign Agricultural Service

## TRADE

South Korea has a strategic interest in multilateralism to offset its dependency on immediate neighbours, i.e. China and Japan. South Korea became a member of the WTO in 1995 and a member of the Organization for Economic Co-operation and Development (OECD) in 1996.

South Korea has a "developing nation" status within the WTO. Tariff rates of 665% on imports of rice, 342% for barley and 346% for corn are currently in place. The government fears that the domestic farming industry could collapse if its markets were opened to lower priced imports.

### Tariffs

Tariffs vary from product to product and tend to be higher for products that can displace domestic production and lower for products which are not produced locally in significant volumes. To keep the livestock and flour milling sectors in operation, South Korea has to import large quantities of wheat, feed grains and soybeans. In general, tariffs are higher for basic commodity products while processed; consumer-oriented products are subject to lower tariffs.

South Korea's basic position on the Doha Development Agenda (DDA) is to gradually lower agricultural tariffs and subsidies. In exchange, Korea would like the global community to be more flexible in expanding the scope of "sensitive and special" products. Rice is considered a sensitive product.

South Korea imposes tariff rates in the range of 30% to 100% on many agriculture products plus a flat 10% value added tax that it imposes on all imports. There are TRQ which provide minimal access on certain products but the rate for over quota quantities makes the cost of imports prohibitive. The over-quota tariff rate for feed barley it is 327.6% and malting barley is 534%. South Korea also has discriminatory tariffs. The tariff on soybeans is 5% but 20% for canola. There are many markets in Asia that apply much higher tariffs to **dried peas**

for livestock feed than for competing products like soybean meal and corn meal. South Korea tends to apply higher tariffs on more value-added products. Since it is more cost effective to import soybeans and crush them, this leads to a lost opportunity of approximately \$70M for the Canadian industry.

### Trade Agreements with South Korea

South Korea currently has an FTA with each of Chile, Singapore and the European Free Trade Association (comprising of Iceland, Norway, Liechtenstein and Switzerland). South Korea is currently negotiating bilateral and FTA agreements with: Israel, US, China, Association of Southeast Asian Nations, Japan, Brazil, India, Malaysia, and Philippines. The most important trilateral agreement is with Japan and China.

In January and March 2005, Canada and South Korea held preliminary exploratory discussions on the possibility of an FTA. Canada and South Korea held the first round of FTA negotiations on July 28, 2005, with a second round scheduled for the last week of September, 2005. Canada is seeking a comprehensive FTA, which has the potential to deliver significant commercial benefits across a wide range of the Canadian economy – from agriculture to high-tech services to investment. In addition to increasing bilateral trade and investment, an FTA with South Korea would serve as a "gateway" into the dynamic Northeast Asian region.

South Korea is hosting the Asia-Pacific Economic Corporation (APEC) conference in 2005. There is a series of Ministerial meetings throughout the year, cumulating in an APEC Heads of Government conference in November.

### Trade Potential for Canada

Expansion of the livestock industry in South Korea will require increased imports of feed. Canada could look at increasing soymeal exports and try to get canola meal into the market.

Higher beer consumption is also expected to lead to increased demand for malt and/or malting barley. The agreement between the CWB and KFIA could lead to further contracts to export premium quality wheat to South Korea.

An FTA will not affect pea exports at the present time due to the feed peas that were rejected. Once Canada and South Korea have reached an agreement on a fumigating protocol, feed pea exports may increase. Bean exports have been increasing over the past years, and it is expected that this trend will continue.

*This article was written by  
Rachelle Hollman,  
a former Junior Market Analyst  
with the Market Analysis Division.*

**For more information contact:  
Fred Oleson, Chief  
Phone: (204) 983-0807  
E-mail: olesonf@agr.gc.ca**

© Her Majesty the Queen in Right of Canada, 2005

**Electronic version available at  
[www.agr.gc.ca/mad-dam/](http://www.agr.gc.ca/mad-dam/)**

ISSN 1207-621X  
AAFC No. 2081/E

Bi-weekly Bulletin is published by the:  
**Market Analysis Division,  
Marketing Policy Directorate  
Strategic Policy Branch  
Agriculture and Agri-Food Canada,  
500-303 Main Street  
Winnipeg, Manitoba, Canada R3C 3G7  
Telephone: (204) 983-8473  
Fax: (204) 983-5524**

Director: Maggie Liu  
Chief: Fred Oleson  
*Editorial Board:*  
Fred Oleson, Arthur Friesen

*To receive a free e-mail subscription to  
Bi-weekly Bulletin, please send your request to  
[bulletin@agr.gc.ca](mailto:bulletin@agr.gc.ca).*

Issued also in French under title:  
*Le Bulletin bimensuel*  
ISSN 1207-6228  
AAFC No. 2081/F

© Printed on recycled paper

*While the Market Analysis Division assumes responsibility for all information contained in this bulletin,  
we wish to gratefully acknowledge input from the following:*

Canadian Embassy in the Republic of Korea, Canadian Wheat Board, International Trade Canada, Market and Industry Services Branch (AAFC)