

Voluntary Report – Voluntary - Public Distribution

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Report Name: Korea Extends Temporary TRQ for Eggs and Egg Products

Country: Korea - Republic of

Post: Seoul

Report Category: Country/Regional FTA's, Trade Policy Incident Report, Trade Policy Monitoring, WTO Notifications, Agricultural Situation

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Report Highlights:

On June 22, 2021, Korea announced an additional 36,000 MT temporary tariff rate quota (TRQ) for eggs and egg products in effect until December 31, 2021. The additional TRQ will help maintain increased levels of egg imports to stabilize egg prices in the Korean market. Strong demand for imports of U.S. eggs into Korea is likely to continue through at least August 2021.

Background

On June 22, 2021, the Ministry of Strategy and Finance (MOSF) announced an additional 36,000 MT temporary TRQ for eggs and egg products that will be valid between July 1st and December 31, 2021.

Korean egg prices have remained high for the past five months, driven mainly by the recent Highly Pathogenic Avian Influenza (HPAI) outbreaks during the last Winter and Spring season (11/26/2020 – 4/6/2021), resulting in a massive depopulation of layer hens. Korea has detected no additional cases of HPAI for more than 80 days, following the last HPAI outbreak on April 6, 2021. However, the egg market still has not fully stabilized as the number of layer hens remains low after the massive culling of chickens following the initial HPAI detections.

In January 2021, the Korean government removed import tariffs on 50,000 tons of eggs and egg products (see table below for commodity list) through the end of June to resolve supply shortages and high prices. The first TRQ will expire at the end of June and the second TRQ has started from July 1st.

HS Code	Commodity	Tariff (%)		1 st	2nd
		Basic rate (%)	Applied rate (%)	TRQ (MT) 1/1 – 6/30	TRQ (MT) 7/1 – 12/31
0407.21.0000	Fresh shell eggs	27	0	14,500	18,000
0407.90.0000	Smoked shell eggs	27	0	1,395	900
0408.11.0000	Dried yolk	27	0	1,115	600
0408.19.0000	Frozen yolk	27	0	9,390	2,600
0408.91.0000	Dried whole egg (not in shell)	27	0	2,790	2,100
0408.99.1000	Frozen whole egg (not in shell)	30	0	14,020	7,200
3502.11.0000	Egg white powder	8	0	2,790	1,600
3502.19.0000	Frozen egg white	8	0	4,000	3,000
Total				50,000	36,000

Source: Ministry of Strategy and Finance (MOSF)

Main Causes of High Egg Prices

1. About 25 percent of all Korean layers (18 million out of 72.6 million total) were depopulated due to the HPAI outbreaks during the last Winter - Spring season (11/26/2020 – 4/6/2021), leading to egg supply shortages.
2. Consumer demand for livestock products, including egg and egg products, increased under the COVID-19 pandemic.

Since the February 2020 start of the COVID-19 pandemic in Korea, livestock product (including egg) consumption at home has notably increased due to reduced frequency of dining out under the stay home order and strict social distancing rules at public restaurants imposed by the Korea Disease Control and Prevention Agency (KDCA). Fresh shell eggs are one animal product that disproportionately benefitted from increased home consumption, driving up demand.

Local layer chicken industry contacts predict the current supply shortage will be addressed by the end of August at the earliest, as domestic layers increased production along with increased imports of table eggs and egg products under the extended temporary TRQ system.

Egg Price and Trade Projections

1. Current strong egg prices will be normalized gradually between KRW 4,500 and KRW 5,500 per 30 eggs before the Chuseok holidays in September as more layer hen inventory starts to boost egg production.
2. Imports of eggs and egg products under the TRQ will help market stabilization, along with a gradual increase in domestic egg production
3. U.S. exports of fresh shell eggs and frozen whole eggs (not in shell) will increase until at least the end of August. The volume of imports is likely to slow in September as more local fresh eggs become available in the market.

Imports

Korea imported 12,333 MT of egg and egg products during the first five months (January – May) of this year, a nearly fivefold increase from the same period of previous year (2,079 MT) due to a favorable zero duty under the temporary TRQ system. U.S. origin eggs had about 70 percent market share (\$33 million out of \$45 million total) of these imports of fresh shell eggs and frozen whole eggs categories, followed by China (11.3 percent) for frozen whole eggs.

Partner Country	Calendar Year (Unit: MT)					January-May		
	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2020	CY 2021	Change (%)
United States	144	7,965	1,778	1,390	1,635	686	8,691	1166.91
Italy	391	615	212	535	1,215	475	927	95.16
China	812	4,975	1,107	1,124	836	310	1,396	350.32
Netherlands	188	747	530	389	459	247	417	68.83
Denmark	198	372	306	427	412	186	210	12.90
France	375	472	210	362	342	111	92	-17.12
Others	172	2,083	244	113	142	64	600	838
Total	2,280	17,229	4,387	4,340	5,041	2,079	12,333	493.22

Source: Korea Customs Service (KCS)

Of total imports for eggs and egg products, 7,735 MT (62.8 percent) was fresh shell eggs, followed by frozen whole eggs (16.7 percent), with the remainder; frozen egg yolks (4.8 percent), used for processing.

Previously, Korea's egg imports reached a maximum of 17,229 MT in 2017 under the temporary TRQ system to overcome impacts from the 2017 HPAI outbreak on the Korean layer chicken industry. The Korean layer chicken industry forecasts a record 21,000 MT of egg and egg products will be imported this year.

However, the imports of eggs and egg products are not expected to increase beyond this year until at least 2026 (when tariffs for U.S. origin eggs will be phased out under the KORUS FTA) as many Korean consumers still prefer to eat local fresh eggs and local food processors will also prefer Korean eggs unless imported egg products are significantly lower in price. As Korea's basic tariffs for these products are usually 8 percent to 30 percent (see the table below) without the benefit of a temporary TRQ, the imports of eggs and egg products should drop around 3,000 MT - 5,000 MT per year from 2022 in the absence of any new HPAI outbreaks of major magnitude like this year's.

HTS Code		Description	Basic Tariff Duty (%)	KORUS FTA		
				Duty (Year 10)	Staging period (Total Years)	Year tariff reaches zero
0407	21-0000	Fresh shell eggs	27	9	15	2026
	90-0000	Smoked shell eggs	27	0	10	2021
0408	11-0000	Dried yolk	27	4.5	12	2023

	19-0000	Frozen yolk	27	4.5	12	2023
	91-0000	Dried whole egg (not in shell)	27	0	10	2021
	99-1000	Frozen whole egg (not in shell) etc.	30	13.8	15	2026
3502	11-0000	Egg white powder	8	0	5	2017
	19-0000	Frozen egg white	8	0	5	2017

Source: Korea Customs Service (KCS)

Subheading	Description	Calendar Year (Unit: MT)					January-May		
		2016	2017	2018	2019	2020	2020	2021	Change (%)
HS Code	WTO-Eggs & Products, Total	2,280	17,229	4,387	4,340	5,041	2,079	12,333	493.22
040711	Eggs Of Chickens (Fowls Of The Species Gallus Domesticus), Fertilized For Incubation	0	163	0	0	0	0	0	0
040719	Eggs Of Birds, Fertilized For Incubation, Other Than Chickens' Eggs	0	12	0	0	0	0	2	0
040721	Eggs Of Chickens (Fowls Of The Species Gallus Domesticus), Fresh, Not Fertilized For Incubation	0	2,673	0	0	0	0	7,735	0
040729	Eggs Of Birds, Fresh, Other Than Chickens' Eggs, Not Fertilized For Incubation	64	71	83	73	73	28	40	42.86
040790	Birds' Eggs, In Shell, Preserved Or Cooked	403	478	370	492	455	142	156	9.86
040811	Egg Yolks, Dried, Whether Or Not Sweetened	179	388	305	412	386	177	204	15.25
040819	Egg Yolks, Fresh, Cooked By Steaming Or By Boiling In Water, Molded, Frozen Or Otherwise Preserved Except Dried, Whether Or Not Sweetened	358	3,278	1,473	1,140	1,032	453	595	31.35
040891	Birds' Eggs, Not In Shell, Dried, Whether Or Not Sweetened	52	982	572	599	684	304	382	25.66
040899	Birds' Eggs, Not In Shell, Fresh, Cooked By Boiling Or Steaming In Water, Molded, Frozen Or Otherwise Preserved Except Dried, Whether Or Not Sweetened	356	6,820	423	373	268	104	2,058	1878.85
350211	Egg Albumin, Dried	771	972	809	942	971	414	400	-3.38
350219	Other Egg Albumin, Except Dried	94	1,386	347	305	1,166	454	757	66.74
350290	Albumins, Albuminates And Other Albumin Derivatives, Nesoi	4	7	5	3	7	3	2	-33.33

Source: Korea Customs Service (KCS)

Attachments:

No Attachments.