

*Sharing of expertise and experience for the future fisheries*

# **The Korean Fisheries Cooperatives' Business Knowledge Sharing Program**



Korea National Federation of Fisheries Cooperatives



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## Introductory Remarks

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The Korea National Federation of Fisheries Cooperatives (KNFC) has been striving to protect economically vulnerable fishermen and their rights and interests, based on the cooperative spirit of self-sufficiency, personal responsibility, democracy and equality. We have contributed to the development of a well-balanced national economy by providing safe food for all Korean citizens.

During the 2008 Financial Crisis, the International Labor Organization (ILO) identified cooperatives as the most effective model, over other corporate models, in overcoming such crises. The world now pays belated attention to cooperatives, which had previously been considered to be an outdated economic model of bygone days.

However, despite its achievements, the fisheries industry is facing unprecedented crises due to the increasing costs of fishing arising from high oil prices, rapidly declining resources, polluted oceans and global warming – a byproduct of industrialization. To overcome these crises, the need for all cooperatives to take collaborative measures and to share their collective wisdom is steadily growing.

Hereupon, the KNFC conceived of publishing this booklet, “The Korean Fisheries Cooperatives’ Business Knowledge Sharing Program” to share experiences in its core businesses, which have contributed greatly to the development of the Korean fishery industry and the KNFC itself, such as consignment sales, the supply of tax-exempt oil and the fisheries financial fund systems.

I sincerely hope that this booklet is found useful by all cooperatives of the world, as well as the member organizations of the ICA Fisheries Committee, and become an essential foundation for the development of fishery industry and cooperatives.

June 2011

President, Lee jong-koo

Korea National Federation of Fisheries Cooperatives





# 1

## Promoting Exchanges between Cities and Fishing Villages

1. Background
2. Goal
3. The Procedure to Establish a Sisterhood Relationship
4. Benefits from Exchanges between Cities and Fishing Villages
5. Major Exchange Activities
6. Details

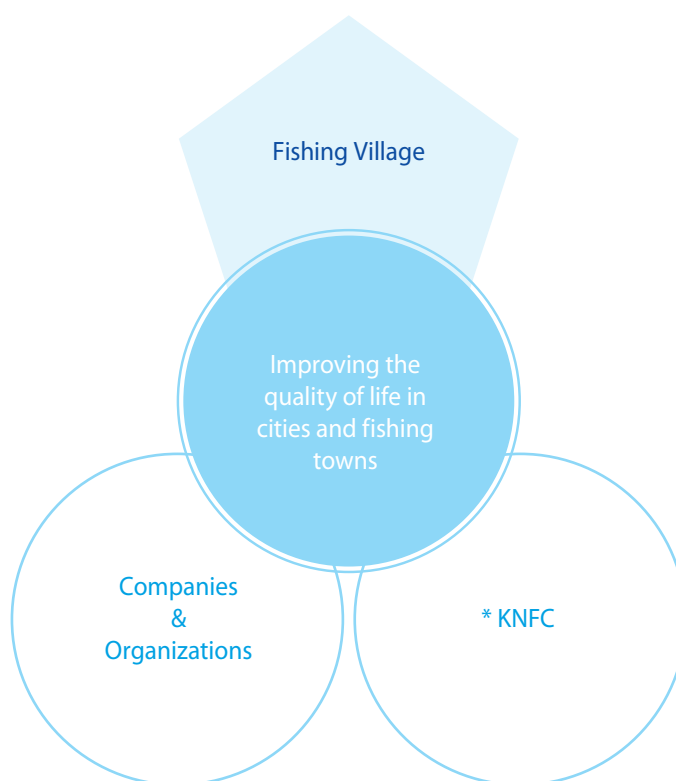
# Promoting Exchanges between Cities and Fishing Villages

## 1. Background

Recent environmental degradation around fishing villages and declines in the domestic and international industry demand new solutions for growth. Additionally, many other reasons for a national movement to revitalize fishing villages have come to the fore: an increased interest and awareness among the public toward the multiple functions and values of fishing villages and industry; an improved mutual understanding between cities and fishing villages; an established foundation for mutual growth through continuous partnership building between cities and fishing villages using the natural resource of the villages; an agreed social consensus about the partnership; and a perceived reality about fishing villages.

## 2. Goal

This exchange business is designed to improve the quality of life both in cities and fishing villages through continuous mutual exchange activities based on sisterhood relationships between fishing villages and companies/organizations in cities.



\* Korea National Federation of Fisheries Cooperatives

### 3. The Procedure to Establish a Sisterhood Relationship

Flowchart to establish a fishing village love sisterhood relationship



#### Units of Sisterhood Relationships

##### ● Organization/Company

Generally an enterprise, but individual departments and workplaces may also establish this relationship, provided it belongs to a large company.

- Make an effort to establish a sisterhood relationship through community leaders within the sister village.
- Other organizations: civic/religious groups, social organizations, public/administrative/ education agencies, etc.

##### ● Fishing Village

Generally a fishing village, but autonomous communities may also establish this relationship.

- Select a fishing village able to engage in exchange activities based on regional specializations, women's associations, or the willingness of a sizable number of residents to participate.
- Fishing villages which receive support for tourism projects, are designated as a publicized village or Beautiful Fishing Village, or are included in a comprehensive development project for fishing villages and autonomous fishing communities.

## 4. Benefits from Exchanges between Cities and Fishing Villages

### A. Benefits for people in cities

- A break from the normal routine and a chance for people to refresh themselves
- Anxiety-free and direct purchases of safe and affordable regional specialties
- Practical experience in and a comprehensive understanding of fishing villages
- Strengthened relationships among family members and co-workers through volunteer work and shared experiences in fishing villages
- Improved corporate image, benefits for employees, and self-fulfillment from contributing to society

### B. Benefits for people in fishing villages

- Higher income from regional product sales
- Improved regional image from joint promotional activities
- Greater unity and capabilities among the residents
- Strengthened awareness of the environment and methods of improvement
- Invigorated communities and a greater love of hometowns
- Better understanding of the products wanted by city people
- New opportunities for seniors and women in fishing villages to work and participate within their communities
- A social foundation to support fishing villages
- The conservation of traditional activities, culture and scenic beauty of fishing villages
- The effective management and utilization of various resources within the fishing villages

## 5. Major Exchange Activities

	Activities
Support for the villages using the professional resources of a company	Provide support for pending projects in villages e.g.) repairing fishing boats, home appliances, homes, community halls, and public facilities
Movement for Homegrown Marine Products	Preferential consumption of products from the sister village Support for the sale of fishing village specialties Marketplaces for direct sales on company property

	Activities
Environmental Improvement and Volunteerism	Cleaning the oceans Natural disaster recovery, including storms and red tides
Cultural Activities	Fishing village experiences for employees and their family members through workshops and sports activities
Medical and Legal Volunteerism	Medical volunteerism on remote islands and areas; legal counseling for legal disputes related to reclamations and the marine environment

## 6. Details

### A. Promotional Events Targeting Companies for Sisterhood Relationships

The following items are designed to promote fishing village love sisterhood relationships :

- Publication of promotional booklets (1,500 booklets in 2007 and 2009)
- Fishing Village Experience events for the family members of sister company employees (2006–2009)
- Employee meetings at fishing village love sister companies. (2006–2009)
- Annual workshops for the leaders of member cooperatives to invigorate sisterhood exchange activities.

### B. Create and Maintain the Fishing Village Love Website ([www.isealove.com](http://www.isealove.com))

The official web page of fishing village love was created to provide information to the public and promote the sisterhood relationship project in conjunction with other fishing village tourism projects; and ultimately to increase the incomes of fishermen and to reinvigorate fishing villages, which are suffering from declines in the domestic and international fishing industry because of the WTO and the FTA. The webpage introduces the fishing village love campaign and Korean fishing villages; conducts PR and image advertising of variety of exchange activities; and introduces the fishing village experience with lodging information and the Sea-Stay boat, a program to stay overnight on a fishing boat, as recommended by Suhyup, the Korea National Federation of Fisheries Cooperatives.

### C. Sisterhood Relationships between Villages and Schools

Pursuant to Article 14.1 of the Act on Promotion of Partnership between Cities and Farming/Fishing Villages, education regarding the daily life experience in a fishing village should be promoted. To this end, a project of sisterhood relationships between villages and schools are necessary to raise awareness of the value and importance of fishing villages and industry to children and teenagers, the leaders of future growth. This project is also designed to nurture the use of domestic marine products among the youth and to implement the fishing village love campaign.

#### Article 14.

(Boosting education through experience in farming and fishing villages.)

- 1) Under Presidential Decree, the central and local government shall put an effort to boost education through hands-on experience in farming and fishing villages for kindergarteners and students to learn value of them and value of agricultural and fishing industry

KNFC will select elementary and middle schools to participate in this project from among schools that desire to establish sisterhood relationships with fishing villages. When the students of the selected schools visit their sister village for the exchange activities, KNFC will provide financial support to the schools for these activities, including transportation, meals, and event participation.

This sisterhood relationship project is expected to produce various benefits: nature-friendly emotional development among the students by offering them opportunities to experience the love of the fishing villagers and the beauty of village life; increased understanding of fishermen, fishing villages and the fishing industry in Korea; an increased interest in fishing villages to invigorate the villages and to restore the confidence of fishermen, who are having difficulties from environmental changes in the domestic and international fishing industry.

### D. Support for Spreading Sisterhood Relationships

KNFC is determined to increase the participation among member cooperatives in this project, to raise member awareness of the sisterhood relationship project, to expand this project, and to increase the quality of exchange activities between sister villages and companies/organizations. To this end KNFC will provide financial support for invigorating sisterhood relationships among member cooperatives that hold meetings with companies/organizations for promoting the relationship or invite employees of sister companies.



#### E. Support for Fishing Village Love Travel of Sister Companies

KNFC is committed to promoting exchange activities between sister companies and villages, to improve the quality of the activities through financial support to sister companies, and to spread and expand the fishing village love campaign by raising the incomes of sister villages through these activities and attracting companies and organizations to participate in the fishing village love campaign.

Therefore, KNFC will pay for expenses related to transportation, accommodations, purchases of marine products, etc., for various events as follows: when a sister company (or organization) visits a marine products festival hosted by an KNFC branch to which a sister village belongs; when a sister company visits a sister village for exchange activities; when a sister company opens a direct sales marketplace which invites members of a fishing village (including family members) for exchange activities; when a sister company conducts meetings with members of a fishing village .

#### F. Essay and Art Contests for Elementary School Students.

To promote the fishing village love campaign nationwide, which is designed for the joint growth of cities and villages, by raising awareness of the importance and value of the marine environment to children and increasing interest in the fishing village love campaign, KNFC will invite elementary school students of sister company employees to participate in essay and art contests, and give awards to students who best describe or illustrate stories related to fishing villages.





## 2 Support for Safe Fishing Operations

1. Instruction in Safe Fishing Operations
2. Operation of Fisheries Communications Stations

# Support for Safe Fishing Operations

## 1. Instruction in Safe Fishing Operations

### A. Safety Requirements

The Korean peninsula is blessed with a natural marine environment offering opportunities spanning the oceans. However, there have been many international maritime disputes, occasionally leading to the hijackings of South Korean vessels by surrounding countries such as North Korea, Russia, China and Japan, arising from the competition for marine resources. The Korean fishing industry has had consistent growth with increasing government support and has made great strides modernizing its fishing operations and navigational equipment. But fishing conditions have become increasingly difficult as fishing vessels wear out and fishermen get older.

Furthermore, growing populations, the expansion of coastal industries, reclamation projects and aquaculture farms have led to the degradation of coastal fisheries. Overfishing from improved fishing technologies, inflows of pollutants and industrial wastes into the sea and illegal fishing have also reduced fish stocks. Loss of fishing territory from the Exclusive Economic Zone (EEZ) claims by neighboring countries has dealt heavy blows to inshore fisheries.

The depleted fishing grounds caused by these adverse circumstances have forced fishermen to operating small and aging fishing boats in deeper seas in search of fish, resulting in more frequent accidents.

Dangers can always be found in any industrial settings, though at various levels of danger.

Fishermen are praised as pillars of industry, working hard, dependent on small boats sailing on the boundless expanse of the seas, and they are rightly proud of fishing. At the same time, they are constantly exposed to many dangers while working hard in the ocean, the means of their livelihood. They get caught in maritime disputes and operate in impossible conditions to find schools of fish. They may get hijacked. They sometimes lose their property or even their lives when they are unable to respond quickly enough to sudden weather changes at sea.

To protect their precious lives and property from these dangers and to ensure a safe fishing environment to increase their incomes, the Korea National Federation of Fisheries Cooperatives (KNFC) provides a support system to conduct safe fishing operations by injecting human and budget resources on a large scale.

As part of the educational initiative, a safe fishing support project through fisheries radio stations was inaugurated in 1965. Since then an organization for safe fishing instruction has been established as changes in the conditions of fishing ground and situations of neighboring countries make this instruction needed more than ever. Safe fishing instruction has steadily grown into the safe fishing support project even as the KNFC was expanded and scaled down at various times. The safe fishing support project

is divided into safe fishing instruction, management of fishing vessel safety inspection officials and the operation of fishery communications stations.

## B. Purposes of Safe Fishing Instruction

As inshore fisheries rapidly grew and fishing ships headed to distant fishing grounds, more ships were hijacked by surrounding hostile countries and more maritime accidents occurred.

In particular, ships from North Korea, China and the former Soviet Union often hijacked and fired upon Korean fishing vessels; and accidents, small and large, happened at sea because of excessive deep-sea fishing. Fishermen were unable to prevent these accidents through their own efforts. It became important to educate the fishermen in orderly fishing operations, to raise awareness of security, to emphasize the importance of on-site safe fishing instruction, and to restrict and regulate fishing vessels.

Therefore under a joint ministerial decree by the Ministry of Home Affairs, the Ministry of National Defense, the Ministry of Agriculture and Forestry, and the Ministry of Transportation, the Ordinance for Safe Operation of Ships in Korea was enacted on April 17, 1972. It was again promulgated in January 14, 2010, and has been enforced under the joint ministerial decree of the Ministry of National Defense, the Ministry of Land, Transport and Maritime Affairs and the Ministry for Food, Agriculture, Forestry and Fisheries, following 17 revisions and supplements since 1972.

In addition to the Ordinance for Safe Operation of Ships in Korea, as part of the safe fishing guidance, the Regulations for Safe Fishing Operation was enacted in September 5, 1992, with notification by the Maritime Affairs and Fisheries Office. Provisions necessary for safe inshore fishing operations took effect under the Fisheries Act and the Ordinance for Safe Operation of Ships in Korea. The Regulations for Vessel Control under a joint directive of the Ministry of Home Affairs, the Ministry of National Defense, the Maritime Affairs and Fisheries Office and the Korean Maritime and Port Administration in June 7, 1985, took effect to enact provisions regarding to establishment and operation of an agency for the declaration of port entry/departure and vessel control procedures.

### (1) Safe Fishing Instruction

The KNFC provides annual safe fishing operation classes to educate fishermen on orderly fishing and safety at sea. The classes are designed to support constant and reliable production activities by protecting the lives and property of fishermen, while preventing maritime accidents and preventing fishing vessels from crossing international sea borders and being hijacked. The KNFC provides this annual four-hour class for ship owners and senior seafarers (captains, chief engineers, chief wireless operators or their proxies) at the cooperative level.



< A safe fishing class at a fishery communications station >

The education program is divided into 4 areas: (1) major government and KNFC policies, (2) security awareness and the law-abiding spirit, (3) safe fishing operations, and (4) job skills.

However, the classes were ineffective. The classes were conducted by the KNFC regional cooperatives with the cooperation of relevant government agencies by gathering fishermen at certain places or at ports and harbor, in rotation. It required a great deal of staff resources, but only generated lukewarm response from the fishermen.

To improve the program, hands-on, on-site experience and direct participation programs were added to the classes under the leadership of the KNFC as an annual pilot project in the eastern, western and southern coastal areas. As a result, quality of safe fishing instruction and emergency response capability has improved, which significantly contributed to the prevention of fatal accidents.



&lt; Table 1 &gt; Performances of safe fishing instruction

Year	Number of Ships	Number of Participants
2005	54,117	56,825
2006	52,701	55,964
2007	51,817	54,549
2008	46,718	49,128
2009	45,601	47,889
2010	39,345	42,237

## (2) Management of Fishing Ship Safety Inspection Officials

Most vessels fishing inshore and coastal area are small vessels of less than 100 tons. These ships have systemic problems such as the worn-out hulls, a shortage of equipment, poor business practices, and under qualified crewmen. In addition, lack of bad weather equipment and poor safety practices are also problems which cause frequent accidents.

The annual average of maritime accidents among inshore and coastal fishing ships stood at 704 in the late 1970, decreased to 307 in the 1980s, but rose in the late 1980s to 372 in 2010.

In the 1970s, the fishing industry grew rapidly and fishing activities increased, while government policies were focused on exports. Fishing boats were worked too hard and safety was neglected, resulting in an increase in accidents.

These circumstances demanded preventive measures against maritime accidents and means of protecting life and property at sea, so a safety inspection system for fishing vessels was needed. With the Maritime Affairs and Fisheries Office Directive No. 267 in February 24, 1977, the Fishing Vessel Safety Inspection Guideline was enacted and 152 employees in charge of consignment sales at KNFC branches in 119 ports and harbors were made responsible for the inspection service. Fishing vessel safety inspections are designed to prevent accidents at sea by ensuring that ships have the necessary safety and life saving equipment and that deficient equipment is replaced or repaired before they can leave port.

Safety inspections require expert and technical knowledge, so they were ineffective when performed by KNFC consignment sales employees, because they lacked the relevant expertise and were overworked in addition to their primary jobs.

Under those circumstances, the Korean government implemented the Simplified Port Entry/Departure Procedures and Preventive Measures for Irregularities in November 1984 and the KNFC was entrusted with the work which had previously been conducted by public officials from the Korean Maritime and Port Administration and city and county (gun) governments. The government subsidized these operations. The

work was carried out in control offices and a Joint Office for Declarations established and operated by the police agency. With a revision of the Enforcement Decree of Fisheries Act on February 27, 1985, the KNFC was authorized and commissioned to conduct fishing vessel safety inspections, in accordance with the law.

With the revision of the Ordinance for Safe Operation of Ships on June 7, 1985, The Regulations for Vessel Control was enacted under a joint directive from the Ministry of Home Affairs, the Ministry of National Defense, the Ministry of Agriculture and Fisheries and the Ministry of Transport to designate the KNFC to take exclusive charge of fishing operation safety inspections.

In accordance with the Regulations, officials with ship inspection experience or with a fifth class (or higher) marine engineer license were deemed qualified to conduct fishing vessel safety inspections. 96 officials were deployed in 39 Control Offices and Joint Offices for Declaration at major ports and harbors to conduct the inspections alongside police officers.

During the adjustment meeting for the 2007 expenditure budget proposal of the Ministry of Maritime Affairs and Fisheries on May 30, 2006, it was decided to annually phase out the budget for fishing vessel safety inspections. As of the end of 2010, only 28 safety inspection officials, dispatched from 12 regional branch of the KNFC, were working at 15 ports of entry and departure declaration offices.

The duties of the officials are

- To register ships going out to fish in specific areas or in the Red Zone
- To confirm that crewmen have attended classes for orderly fishing and safety
- To organize the fishing fleet and to instruct crewmen
- To check expiration dates of vessel safety inspections and EPIRB test results
- To confirm presence of navigational equipment (compasses, nautical charts, life jackets); to confirm proper operation of the GPS, if present; and to visually and acoustically confirm safe engine operations
- To notify the Fishery Telecommunication Stations and Fishing Protection Centers of entries to and departures from ports; to organize and ensure the registration of the fishing fleets.
- To examine the qualifications of seafarers, including the marine engineer's license and the seaman pocket ledger
- To confirm that ships are members of the Fishery Telecommunication Station
- To coordinate with the Fishing Protection Center

However, KNFC safety inspection officials had difficulties performing their numerous other duties regulating fishermen and members of the cooperatives, inspecting



equipment and fishing vessel operations, and managing the entry and departure of fishing vessels. Although the safety inspections were subsidized by the government, the subsidies covered only 62% of the expenses between 1985 and 2010, which meant that the KNFC bore a large financial burden and it strongly demanded full government support. Considering the nature of the work, it was reasonable that ship inspection agencies and other related government agencies take responsibility for this mission rather than the KNFC.

In addition, since 1974, safe fishing operations had included safety officials aboard fishing vessels. Their mission was to be aboard ships heading to specific areas or the Red Zone in the East and the West Seas to prevent the ships from crossing international sea borders and being kidnapped. They also prevented boats from leaving the fleet without permission during the high season. The officials had difficulty performing their duties because fishermen avoided them out at sea; and as employees of the KNFC, they lacked sufficient judicial authority to do their job. For these reasons, their safety duties were revoked with the revision of the Ordinance for Safe Operation of Ships in Korea on September 5, 1992.

< Table 2> Maritime Accident Figures (unit: ships)

Year	Accidents				Casualties (persons)
	Total	Bad Weather	Poor Hull	Navigation Error	
2005	373	8	225	140	132
2006	457	5	278	174	76
2007	479	8	312	159	47
2008	464	11	255	198	37
2009	519	7	303	209	63
2010	485	7	285	193	71

## 2. Operation of Fisheries Communications Stations

### A. Operation of Fisheries Communications

Around 1960, the first Korean fisheries radio station was operated by several fisheries companies with DSB (dual-sideband) radios to communicate with their fishing boats.

While user demand increased as the number of radio-equipped ships increased, the Cabinet council decided that the KNFC should unify and operate the fisheries radio stations with its establishment on April 1, 1962. Accordingly, the KNFC commenced fisheries communication services as fisheries communications office was incorporated into the KNFC, and a fixed station (the headquarters) opened in Seoul and a coastal

branch station opened on Jeju Island in June 1963.

In 1966, as part of the government's first Five-Year Economic Development Plan, the KNFC expanded and strengthened the equipment for fisheries communications, including taking over private fisheries radio stations and setting up radio direction finding offices at ports and harbors designated as fisheries advance bases on isolated islands. This increased the fisheries radio stations from 3 to 20 and converted the DSB communications network into an SSB (single-sideband) and VHF (very high frequency) composite communications network. Funds for the equipment and operations were provided by the government.

During the second Five-Year Economic Development plan, the number of fisheries radio stations increased to 29 by 1970 and communications equipment was improved following annually increases in foreign and domestic capital. The number of fishing vessels using the communications services rose significantly from 500 in 1966 to 1,550 in 1970, as did the amount of wire traffic, so the transmitting and receiving stations were separated.

During this period, the number of direct telephone lines rapidly increased between fisheries radio stations and relevant government agencies, such as the Armed Forces and the Police, to report ship accidents and to effect rapid rescues.

During the third Five-Year Economic Development Plan, fisheries radio stations were re-aligned into 37 stations with the opening and closing of some stations, including the establishment of 6 radio navigation stations on the East and West coasts to prevent ships from crossing international borders and being kidnapped and to conduct rapid rescue operations as maritime accidents occur. After this period, new fisheries communications equipment continued to be installed at major ports and harbors and obsolete equipment was replaced for benefit of fishermen and as continued preventive measures against hijackings and accidents.



< Inspection of Large Transmitter (NSD-1766) in the 1970s >

In 1979, 13 small-scale fisheries radio stations were newly established (22 stations attached to existing stations) as preventive measures against small fishing vessels operating inshore. Since 1986, radio navigation stations in the East and the West Sea have been improved with new models of remotely controlled equipment. In 1990, the system of fisheries radio stations was a large scale communications network in coastal areas with 43 radio stations, including 1 headquarters station, 16 coastal stations, 2 fixed stations, 8 navigation stations, 16 small-scale stations, 14 transmitting stations, 754 major devices, 267 communications officials and 10,017 member fishing vessels.

In the 1990s, as computers were introduced and developed, new data communication methods appeared and radio station equipment adaptable to the future communications environment was needed. For this purpose, some fisheries radio stations were transformed into unmanned remote stations (8 transmitting stations, 6 radio navigation stations, 17 relay stations.)

In 1998, a communications station in Sokcho, 250 km northeast of Seoul, relayed a report from a fishing boat to the Armed Forces, police and other relevant government agencies of the presence of a North Korean submarine. A joint military operation by the government, armed forces and civilians made it possible to seize the submarine. The

KNFC received recognition from the president for this seizure.

This is an example of how fisheries communications contribute to national security. Under the Marine Emergency Reporting System (May 1969), as soon as any vessel reports anything suspicious to a communications station, the station relays the report to the armed forces and police to support a seamless joint operation by the government, military and civilians.

After the Korea-Japan Fisheries Agreement in 1999 and the Korea-China Fisheries Agreement in 2001, the KNFC was granted the authority to manage fishing vessels within the South Korean EEZ, under the regulations on delegation and entrustment of administrative authority, which it has done well thus far.

Furthermore, to support fishermen following the fisheries agreements and the Special Act on the Development of Fisheries, a fisheries database (to track fishing vessel operational data and TAC/EEZ data) was established to computerize the operational performance of inshore fishing vessels. The computerized database made it possible to enhance the competitiveness of fisheries and to implement government policies by responding proactively to changes in the fisheries environment at home and abroad. The database helps to carry out appropriate measures for the conservation and management of marine resources within the EEZ and to reasonably manage major marine resources around Korea.

Fishery information broadcasting started on March 1, 2001, to provide full service to deep-sea, long-voyage vessels. The broadcasts provide information about the weather, sea/fishing conditions, fish fryies, general fishery news for fishermen operating in deep-waters and general information about ship operations for fishermen on land through ARS.

In 2005, the name of the Fisheries Communication Headquarter was changed to the Fishery Telecommunication Headquarter; and the name of the Fisheries Radio Station (in use since its establishment in 1963) was changed to the Fishery Telecommunication Station. Under the Radio Waves Act, the term “radio station” applies to radio equipment and persons operating the equipment. Radio communications services were initially limited to safe fishing operations. But as the telecommunications industry made it increasingly possible to manage fishing vessels within the EEZ, broadcast fisheries information and operate fisheries databases; the headquarters and its stations began fulfilling additional roles, such as providing information to increase the catch and enter fishing operations data from the ships; and name changes became necessary. Going beyond the computerization of fishing data, they started to reprocess this data to contribute to the growing incomes of fishermen.

On January 1, 2007, the direction finding service which had been in operation since 1974 on the communication stations of Sokcho (Gosung) and Incheon (Ganghwa) was discontinued. Direction finding stations were built for safe fishing operations

and guiding vessels with poor navigational equipment. But as the marine electronic industry has advanced, most fishing vessels are now equipped with PLOTTER-GPS and electronic nautical charts, and they are able to navigate on their own. Now because of the tight security of the armed forces and police, the chances of fishing vessels deviating off course and crossing international sea borders has been reduced. For these reasons, the direction finding service was discontinued.



< Direction Finding Equipment and Antennas at Hyunpo, Ulleung Island >

As of the end of December 2009, there were 38 radio stations, including 1 safe fishing situation room, 16 coastal stations, 20 unmanned relay stations, 1 integrated receiving station, 171 communication officers, and 10,248 member fishing ships.

## B. The Function of Fisheries Communications Stations

Communications between ships at sea and land, and between ships at sea depend on radio communications. Under the Radio Waves Act, fishery communications means communications between coastal stations for fishery and ship stations, and between ship stations. Radio communications contributes to the fishing industry as it delivers information about fishing grounds, weather conditions, maritime conditions, the operating environment, agreements and notices about operations, other abnormal situations, sailing distances, and crew emergencies.

The Functions and Roles of Fishery Telecommunications Stations are as follows.

### (1) Fishing vessels safety

Fishery Telecommunications Stations contribute to safe fishing operations and the prevention of marine accidents; locate fishing boats and guide them in bad weather; keep fishing vessels out of other countries' waters; provide navigational and weather forecasts; contact rescue agencies when there is a vessel in need of rapid rescue. Fishery Telecommunications Stations also contribute to national security. Under the Unified Defense Act, when a vessel reports to a Fishery Telecommunication Station

a suspected spy ship or submarine, the Station electronically notifies the police and armed forces for quick response.

## (2) Support of government policies

The Stations have been authorized by the government to manage the access of fishing vessels to the EEZ, to manage the locations of daily fishing and quotas pursuant to the Korea-Japan and Korea-China fisheries agreements, and to exchange relevant data with the signatories. They have also been authorized to manage the catch quotas from inshore/offshore vessels under the Rules for Reporting on the Operating Situation of Inshore and Deep-sea Fishing. The Stations provide the government with geo-positional data on fishing vessels and maintain a database of catch amounts using the fishing operations information system. The government uses this data for resource management and fisheries negotiations.

## (3) Support of fishing operations

The Stations provide supplies for vessels, repair equipment, transport and sell fish, facilitate communications between operating ships and ship owners about the management of fishing operations (including negotiations on services and benefits for crew members); and provide general information about ocean, fishing and market conditions. All of this contributes to increase the income of fishing households.

< Table 3 > Fisheries Communications Performance

Year	Number of each type of communication				Fisheries
	Total	Distress Calls	Joint Communication	Training Communication	
2005	3,202,720	373	16	1,901	3,200,430
2006	3,176,955	457	10	1,917	3,174,571
2007	3,209,692	479	19	1,699	3,207,496
2008	2,094,181	464	22	1,736	2,091,959
2009	2,236,917	519	27	1,803	2,234,568
2010	2,432,971	485	42	1,664	2,430,780

## (4) Business Management of the Fisheries Communications Service

The fisheries communications service of the KNFC is subsidized by the government for the costs of operating the radio stations and equipment because it assists national security. The fisheries communications service of the KNFC include fisheries communications for information of sea/fishing conditions and management of fishing operations, the prevention of maritime accidents through weather forecasting, the protection of life and property through rescue communications, and prevention of hijackings and vessels crossing international sea borders.

When the KNFC took over and integrated private radio stations in 1996, operational and equipment expenses were almost entirely covered by the government. But as the stations grew and the expenditures increased, the proportion of government subsidies went down each year.

So that proportion of the expenditures covered by the KNFC has increased and has become the main source of financial difficulties for the KNFC. In 2002, the government accounted for 91% of operating budget for the Stations, which was the record high. The number has consistently decreased since then to 74% in 2010.

The fisheries communications of the KNFC serves as a night watchman of the seas, unique in its function to protect the life and property of fishermen as a lifeline to safe fishing, and is an essential resource for fisheries negotiation with neighboring countries. Therefore, circumstances demand the full support of the government.







# 3

## The Fisheries Broadcast Station

1. Overview
2. Major Programs of the Fisheries Broadcast
3. Results
4. Future Plans

## The Fisheries Broadcast Station

### 1. Overview

The KNFC started the first-ever Fisheries Broadcast Station specialized in providing fishermen with information necessary for fishing, including coastal, sea and fishing conditions, prices of marine products, and fisheries policies in the form of visual programs.

The KNFC installed 50-inch, large-screen monitors and broadcast receivers in 9 major consignment markets to provide information, including fishing forecasts by waters and by species types, sea forecasts, water temperatures, announcements related to the protection of marine resource (e.g. seasonal area closures), and market data (e.g. supply, demand, prices) of marine products by waters and species types, trends in consignment sales of regional marine products by waters, and prices of marine products within producing and consuming districts.

In addition to fishing conditions, the fisheries broadcasts offer programs on fisheries news, government policies and laws affecting fishermen's rights and interests. This information is based on data from the National Fisheries Research and Development Institute (NFRDI) and the KNFC. The broadcasts air between 4 a.m. and 9 a.m., year round, and all of the programs are available at the KNFC website (<http://ifbs.suhyp.co.kr>)

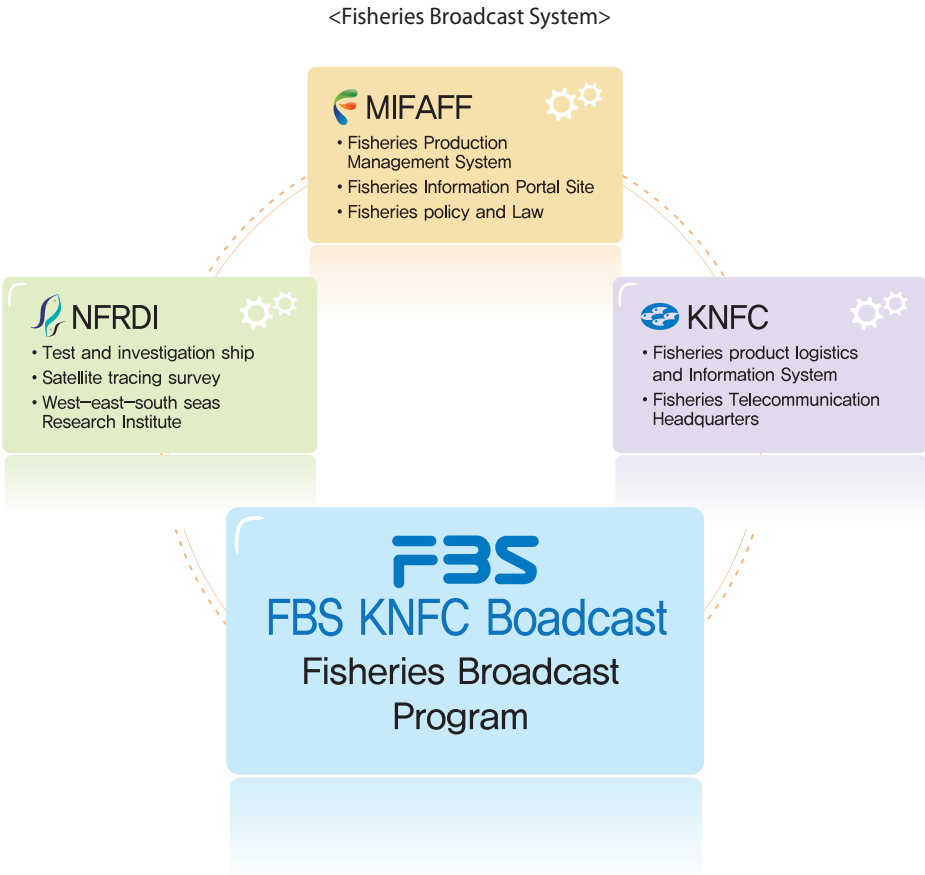
The Fisheries Broadcast Station held its opening ceremony on April 1, 2010, on the 48th anniversary of the KNFC, and broadcasted to 9 major fisheries consignment markets in Ongjin, Sokcho, Mokpo, Gunsan, Guryongpo, Tongyeong, Busan (joint fish market), Jeju (Hallim) and Yeosu.

Opening Ceremony



Broadcast receivers are planned for installation in additional consignment markets. The KNFC plans to create separate channels on the KNFC broadcast network and increase airtime hours.

The broadcast system will provide programs on fishing forecasts, current weather conditions, and data related to fishing households, based on KNFC and NFRDI data.



&lt;Airtime&gt;

		Hours	Remark
Programming	Sea conditions	4 a.m~9 a.m	Programs repeat 3-4 times each day
	PR	9 a.m~4 p.m	Integrated into commercial PR programs

Broadcast Schedule : Monday – Sunday (all year round)

※There are plans to install broadcast receivers in 30 additional markets, and to broadcast through a channel separate from the KNFC broadcast network.

## 2. Major Programs of the Fisheries Broadcast

### A. Sea and Fishing Conditions (Daily and Weekly)

Fishing forecasts by waters and species types, sea conditions forecasting (water temperature, etc.), and ships fishing inshore, including foreign ships.

#### ● Program

	Content	Sources	Broadcast cycle	Length
Sea Conditions	<ul style="list-style-type: none"> <li>Satellite data of coastal sea surface temperatures</li> <li>Observational data of inshore sea surface temperatures</li> </ul>	NFRDI	Weekly	6 minutes
Fishing Conditions	<ul style="list-style-type: none"> <li>Fishing forecasts by waters and species types</li> <li>Fishing condition : current, average, previous year</li> <li>Operational trends of foreign ships within the South Korean EEZ</li> </ul>	NFRDI KNFC *FTH	Weekly	23 minutes

※Fisheries Telecommunication Headquarters

## B. Local and Wholesale Markets for Marine Products

Consignment sales trends by waters and species types, and major marine products by regions

Prices in producing and consuming district

### ● Program

	Content	Source	Production	Length
Consignment Sales Data from Producing District	<ul style="list-style-type: none"> <li>• Consignment sales prices by region</li> <li>※focusing on the 9 regions with broadcast receivers</li> </ul>	KNFC & Distribution Information System	Daily production & broadcast	20 minutes
Wholesale Market Trends	<ul style="list-style-type: none"> <li>• Average prices by key species</li> <li>• Analysis of weekly trading</li> </ul>	KMI Fishery Prediction Center & Noryangjin Fisheries Wholesale Market	Weekly production & broadcast	8 minutes

## C. Fisheries Video Column

Introduction of fisheries policies, legislation and news

### ● Program

	Content	ReSource	Production	Length
Fisheries Video Column	<ul style="list-style-type: none"> <li>• Fisheries policies of the government and related agencies</li> <li>• Revisions of the Fisheries Resources Management Act and The Fisheries Act</li> </ul>	MIFAFF & KNFC	Weekly production & broadcast	10 minutes
	<ul style="list-style-type: none"> <li>• Interview with outstanding fishermen and people engaged in fisheries.</li> </ul>	MIFAFF & KNFC	Weekly production & broadcast	

#### D. Programs for Fishermen

Documentaries about outstanding fishermen, as designated by the government and the KNFC for their efforts to develop fishing communities and increase the incomes of fishing households.

##### ● Program

	Content	ReSource	Production type	Length
Documentaries of fishermen	<ul style="list-style-type: none"> <li>Documentaries highlighting successful fishermen and best practices to increase incomes of fishing households</li> </ul>	MIFAFF & KNFC	As needed	10 minutes
Safe fishing videos	<ul style="list-style-type: none"> <li>Campaign programs to prevent maritime accidents by introducing rules for safe fishing</li> </ul>	KNFC & Fisheries Telecommunication Headquarters	As needed	1 minute

#### E. Other Informational Programming(Fisheries News, Spot Advertisements, etc.)

Fisheries broadcasts, include fisheries-related information (once or twice a week)  
Spot advertisements for safe fishing and preservation of the marine environment (as needed)

### 3. Results

The Fisheries Broadcast Station has to date contributed to spreading best practices and increasing the incomes of fishermen (who previously relied on experience alone) by providing data on sea conditions, fishing conditions and ocean forecasts, based on data from the National Fisheries Research and Development Institute (NFRDI), Fisheries Telecommunication Stations, and the Korea Meteorological Administration.

It has also made fishermen's lives more convenient and improved their understanding by providing essential information and educational opportunities with program closely related to fishing operations. These programs, delivered through broadcast receivers installed in fisheries consignment markets, include new fisheries policies and revisions of fisheries legislation

It has also taken the lead in raising the fishermen's awareness of best practices in cost reductions, safe fishing, and taking-back wastes from the ocean.

Going forward, the Fisheries Broadcast Station will continue to speak to fishermen marginalized from information by providing information and fisheries education and taking the initiative to improve their awareness of fisheries advances.

#### **4. Future Plans**

As of May 2011, the Fisheries Broadcast Station is working to install additional receivers in existing markets and receivers in 30 additional fisheries consignment markets.

Furthermore, the transmitting system will be separated from the KNFC in-house network to create an exclusive transmitting channel, and airtime will be increased from 5 hours a day to 8 hours a day, depending on the situation in each market.

Cooperation with related agencies will improve the quality of programs to provide important information to fishermen.







# 4

## Mutual Credit

1. Purposes and Characteristics of Mutual Credit Services
2. Laws and Regulations Relevant to Mutual Credit Services
3. Historic Background
4. Development of Mutual Credit Services
5. Organizational Structure of Mutual Finance Department and Number of Mutual Credit Service Cooperatives
6. Future Plans

## 1. Purposes and Characteristics of Mutual Credit Services

Mutual credit services refers to the mutual financial services provided by a cooperative owned and operated by member fishermen, who are economically vulnerable. Members deposit money into and receive loans from the cooperative. A cooperative provides similar financial services as a commercial banks, with the following differences:

First, mutual credit is exclusive. Only members can benefit from the mutual banking services, unlike a bank which provides financial services to many and unspecified people. Thus, a non-member's use is limited;

Second, mutual credit is democratic. Unlike a bank, which requires collateral to receive a loan, a cooperative provides small loans to many members based on mutual trust and credit, and does not give preference to a few persons;

Third, mutual credit is structured. Cooperatives interact and communicate through the federation of cooperatives, which provides mediation;

Fourth, mutual credit has higher interest rates than banks on savings and loans. In order to attract more deposits, cooperatives offer higher interest rates on savings and thus have higher interest rates on loans.

## 2. Laws and Regulations Relevant to Mutual Credit Services

- The Fisheries Cooperative Act, Article 60 (1) 3
- The Credit Union Act, Article 95 (1) 2

※When the Credit Union Act (1972) was enacted, special provisions for mutual credit by cooperatives were specified.

## 3. Historic Background

- August 17, 1972, mutual credit for fisheries cooperatives was legalized (The Credit Union Act, Article 95 (1))
- June 10, 1974, mutual credit services by member cooperatives began (*Cheju Fisheries Cooperative*)
- October 1, 1993, general on-line banking services started
- January 1, 1998, Mutual Credit Deposit Insurance System started
- July 1, 2000, reform of mutual credit services by cooperatives (the Tier-1 financial services like banking sector were prohibited by the reform of the Fisheries Cooperative Act).
- February 26, 2001, mutual credit services operated by the federation of cooperatives moved from the category of "Banking business" to "extension service"
- January 4, 2002, establishment of a the cooperative fund management department.
- September 23, 2002, the next-generation on-line system started

- January 2, 2006, establishment of a cooperative financial risk management department.
- December 4, 2009, mutual credit deposits reached 1.2 trillion won, and loans reached 800 billion won
- January 15, 2010, member the cooperatives' foreign exchange services began (*Jinhae Fisheries Cooperative* and *Cheju Aquaculture Fisheries Cooperative*)

#### 4. Development of Mutual Credit Services

##### • Pre-1970s

Mutual credit in Korea has its roots in traditional fisheries *gye*, but modern mutual credit services began with the launching of a financing cooperative following the enactment of the Statutes of Local Financing Cooperatives in 1907. However, those financial service institutions mainly loaned to financially stable merchants and traders with collateral. At that time, fisheries as a business was not a familiar concept, so fishermen had scant access to financial services. Fisheries cooperatives established during the Japanese occupation received investments and deposits from members and loaned money to fisheries. However, most loan recipients were Japanese, so Korean fishermen, with only a few exceptions, had to rely on private funds such as *gye*, and private loans. This condition continued with little change until the late 1960s, the early days of the establishment of modern fisheries cooperatives. Fishermen were heavily dependent on high interest rate loans.

Farmers faced a similar situation. Local financial service schemes, especially in rural areas, were absolutely necessary in order to encourage farmers and fishermen to save and invest small sums and to protect them from high interest loans.

On July 28, 1969, upon receiving special approval from the Minister of Agriculture, Forestry and Fisheries, the National Agricultural Cooperative Federation (NACF) implemented a pilot financial project among its 150 local cooperatives for helping farmers with fund from farmers. This was the beginning of the modern mutual credit scheme.

##### • Birth of the Mutual Credit Scheme(1970–1990)

The government issued the Emergency Ordinance on Economic Stability and Growth (August 3, 1972), which froze private loans and reduced interest rates. At the same time, the government was preparing to enact the Mutual Savings and Finance Company Act and the Credit Union Act in order to legalize private loans and to impose legal controls over *gye* and pseudo-financial institutions in rural areas.

Article 93 of the Credit Union Act, promulgated on August 17, 1972, prescribed a special provision regarding the financial services provided by fisheries cooperatives, as well as the Agricultural Cooperative. According to the provision, the fisheries cooperatives was deemed to be the Credit Union, and the NACF as the National Credit Union Federation

of Korea(CU). However, the fisheries cooperatives' mutual credit services could not begin immediately upon the enactment of the Credit Union Act.

In 1973, under the government initiative, the fisheries cooperatives and agricultural cooperatives conducted a joint savings campaign to attract 100 billion *won* from rural areas, in order to encourage independent financing for development within the regions. In accordance with this campaign, on October 22, the fisheries cooperatives prepared and implemented a detailed plan of "100 billion *won* savings campaign for farm and fishing villages", such as opening additional branch banks in fishing villages and inducing one trillion *won* banks at financially independent fishing village cooperatives to be pursued from 1974 to 1980, in preparation for full-scale mutual credit services.

On May 9, 1974, the corporate articles related to the Korea National Federation of Fisheries Cooperatives (KNFC, Suhyup) and its member cooperatives were revised, so that a basis for providing mutual credit service was established. On June 10, the *Cheju* Fisheries Cooperative and *Hahn-lim* Fisheries Cooperative began providing mutual credit services for the first time. During the first year, 47 cooperatives opened 67 banks, offered 4 savings plans, and attracted total deposits exceeding 1.2 billion *wons*.

In 1976, to help fishermen and farmers accumulate assets, Property Formation Savings plans were introduced. In 1977, Postal Savings plans failed due to continuous deficit operations, so the government transferred it to the NACF to prevent civil savings organizations from cannibalizing each other. On December 31, 1976, in order to meet the demand of fishing regions, Article 14 (3) was added to in the Fisheries Cooperative Act to provide the legal framework for mutual credit services by fishing village cooperatives. On March 8, 1978, the *Yool-chon* fishing village cooperatives of the *Yeo-su* Fisheries Cooperative received approval to start mutual credit services. Incorporated fishing village cooperatives were also allowed to provide financial services. As a result, deposits reached 100 billion *won* by the end of 1978.

During the 1980s, the local financial environment went through many changes due to the impact of the financial liberalization. Korean Federation of Community Credit Cooperatives(CC) and the Credit Union led more financial functions; the Korea Post resumed the Postal Savings Service; and the Tier-2 financial institutions in urban areas, such as mutual savings and finance companies, actively opened new branches in rural areas. As the National Livestock Cooperatives Federation(NLCF)also started mutual credit services in 1983, competition intensified among the financial institutions.

To address these changes in the financial environment, the NACF allowed member cooperatives to begin issuing cashier's checks in May 1981 and introduced the Mutual Installment Savings System in September 1981. In 1984, while the Korea Post strived to build on-line banking systems, the NACF also improved its financial services by implementing on-line banking services at its member cooperatives in November 1984,

and exerted itself to provide on-line services for a few savings plans in December 1985.

In comparison, the KNFC failed to compete effectively in the changing financial environment and was falling behind. Its member cooperatives started issuing cashier's checks on January 1, 1983, 20 months after the NACF, and began on-line banking services for savings accounts, self-support fund accounts and people's stock subscription depository accounts on April 1, 1991, five years after the NACF. However, in the late 1980s, coastal fisheries and fishery resources declined due to the national land development plan. The fisheries cooperatives also suffered from deteriorating business conditions due to fishermen's demands for fee reductions and exemptions, as democracy progressed. A few cooperatives, including the *Incheon* Fisheries Cooperative and the *Angang-mang* Fisheries Cooperative, were actively engaged in mutual credit services as a means of building a stable business environment. The number of branches steadily increased to 475 by 2000. However, since 2001, the number of branches has declined as underperforming branches were closed to improve the efficiency of the cooperatives' business administration.

- Growth and Challenges of Mutual Credit Services(1990–2000(IMF Years))

Upon the reformation of the Fisheries Cooperative Act, the fisheries cooperatives implemented a savings movement to increase deposits; total deposits rose from 51 billion *won* to 62 billion *won*. Both the number of branch banks and total deposits grew annually, and mutual credit services became an increasingly important part of the cooperatives' business. In September 1993, in order to facilitate more systematic and active support for mutual credit services, its mutual credit services function was spun-off from the deposit support department and, with additional sub-structures and human resources, a mutual finance department was established.

In 1997, under the IMF management rule, as large numbers of bank customers were concerned about insolvency, bank runs began and doubts about the stability of financial institutions arose. In January 1998, the mutual credit institutions' Mutual Credit Deposit Insurance System was introduced to protect against insolvency. When cooperatives providing mutual credit services or incorporated fishing village cooperatives went into default, subrogated or reserve funds would be available, and as of 2002, deposit accounts up to 50 million *won* per bank customer were under protection.

In January 2000, in accordance with the reformation of the Fisheries Cooperative Act, the supervisory responsibility of mutual credit was transferred from the Ministry of Maritime Affairs and Fisheries to the Financial Supervisory Service. In October 1999, mutual credit regulations, passed by the Financial Supervisory Service, were enforced to supervise the soundness of the mutual credit services. The regulations required each cooperative to accumulate reserve funds at 100 percent and open its finances to the public. Thus, cooperatives lacking self-contributed capital faced restrictions on their businesses and financially unstable cooperatives were dissolved after the public disclosures. For these

reasons, the fisheries cooperatives' mutual credit services had to deal with these new crises, originating from the IMF crisis, and had to immediately accumulate large reserve funds. As a result, the fisheries cooperatives reported a net loss of 675 million *won* in 2000.

- Rebirth of Mutual Credit Services(2000–2010)

Although member cooperatives had amassed huge reserves from continuously increasing deposits, they were unable to find good investments for the fund except providing loans. At the same time, fierce competition with other banks reduced profits from loans. Thus, the KNFC established the cooperative fund management department to more systematically manage the cooperatives' surplus funds.

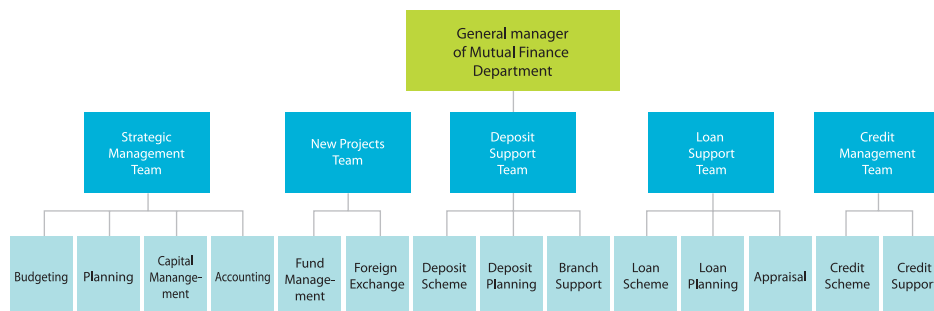
The KNFC implemented innovation campaigns with slogans, such as “NEW I.D.E.A.” in 2006, and “FRESHVIEW” in 2007, to achieve restructuring and to double profits. The NFFC also implemented a 5-year development plan for mutual credit services through “Research on Development Plans for Mutual Credit Services”, providing an opportunity for all executives and employees of member cooperatives to work together toward the development of mutual credit services.

- 2008, POWER START 1410
- 2009, DYNAMIC RUN 1410
- 2010, DOUBLE SPEED 1510
- 2011, SUPER JUMP 1510
- 2012, PERFECT FINISH 1510

Due to the Financial Investment Services and Capital Markets Act (promulgated on July 3, 2007, and enforced from February 4, 2009), the “Big Bang”(the rapid changes and restructuring in the capital markets) was anticipated. The fisheries cooperatives devised a detailed, 34 point plan to boost the efficiency and competitiveness of their financial services, and established a mid-to-long term development plan. As a result, despite the financial crisis of 2008 originating from the United States, total deposits as of the end of 2010 were 13.4 trillion *won*, a 69 percent increase over 7.9 trillion *won* in 2005; and total loans were 8.6 trillion *won*, a 66 percent increase over 5.1 trillion *won*.

## 5. Organizational Structure of Mutual Finance Department and Number of Mutual Credit Service Cooperatives

### ● Organizational Structure



### ● Number of Mutual Credit Service Cooperatives and Branches

Year	Number of Cooperatives	Number of Branch Banks	Year	Number of Cooperatives	Number of Branch Banks
1974	47	67	1993	81	372
1975	54	74	1994	82	390
1976	56	86	1995	83	409
1977	59	93	1996	86	431
1978	59	69	1997	86	443
1979	59	85	1998	87	456
1980	58	75	1999	87	459
1981	58	78	2000	86	456
1982	59	82	2001	89	426
1983	59	91	2002	95	418
1984	59	103	2003	95	405
1985	59	108	2004	92	394
1986	59	111	2005	92	394



Year	Number of Cooperatives	Number of Branch Banks	Year	Number of Cooperatives	Number of Branch Banks
1987	60	116	2006	92	395
1988	61	128	2007	92	402
1989	63	154	2008	92	400
1990	74	193	2009	91	404
1991	81	272	2010	90	412
1992	81	341			

## 6. Achievements of Mutual Credit Services

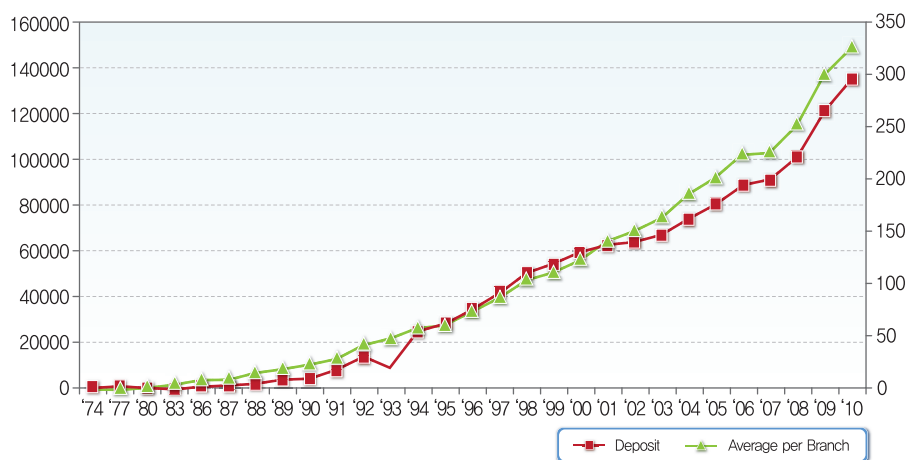
### ● Mutual Credit Deposit Status

(unit : million won)

Year	Deposit	Average per Branch	Year	Deposit	Average per Branch
1974	12	0.2	1997	40,816	88
1977	86	1	1998	49,804	105
1980	243	2	1999	53,228	111
1983	519	4	2000	58,857	124
1986	1,104	8	2001	62,349	141
1987	1,628	11	2002	62,898	150
1988	2,303	15	2003	66,394	164
1989	3,288	18	2004	73,499	187
1990	5,138	23	2005	79,796	203
1991	8,603	29	2006	88,603	224
1992	15,227	42	2007	90,846	226
1993	8,817	48	2008	101,161	253



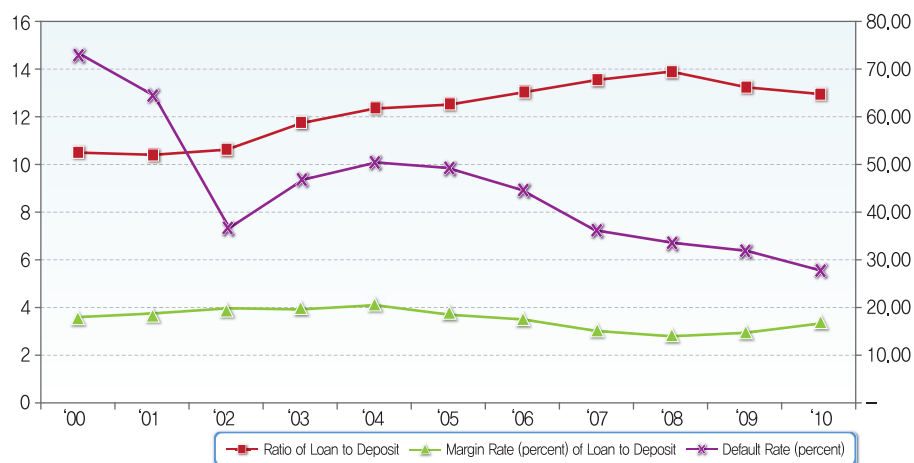
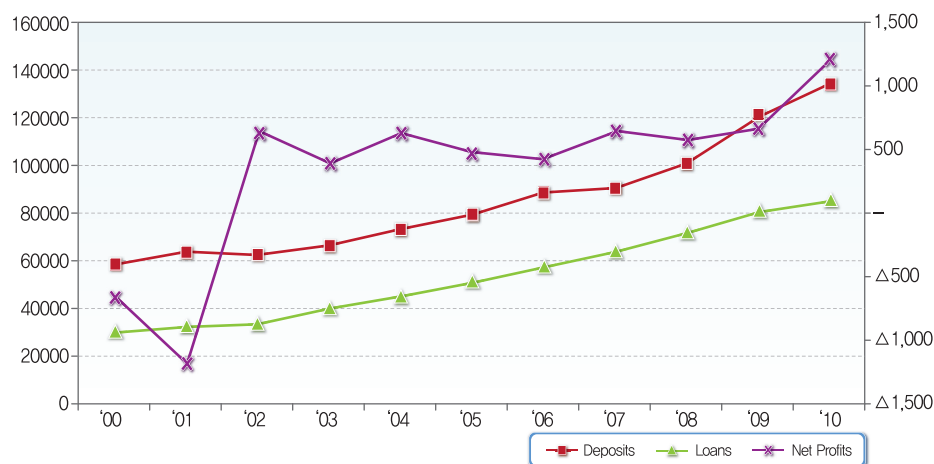
Year	Deposit	Average per Branch	Year	Deposit	Average per Branch
1994	24,543	59	2009	121,421	301
1995	27,643	62	2010	134,880	327
1996	33,856	75			



#### Recent Status of Mutual Credit Service

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Deposits	58,857	63,527	62,898	66,394	73,499	79,796	88,603	90,846	101,161	121,421	134,880
Loans	30,675	33,228	33,735	40,727	45,813	51,876	57,902	63,893	72,293	81,292	86,020
Ratio of Loan to Deposit	52.73	51.99	53.24	58.95	62.11	63.10	65.52	68.02	69.69	66.53	65.00
Margin Rate (percent) of Loan to Deposit	3.59	3.72	3.93	4.02	4.18	3.86	3.57	3.13	2.91	3.03	3.46

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Default Rate (percent)	14.60	12.94	7.36	9.39	10.19	9.90	8.93	7.27	6.75	6.44	5.57
Net Profits	Δ675	Δ1,184	631	393	630	473	435	656	591	673	1,211



## 7. Future Plans

- “Jump to the Lead among Tier-2 Financial Institutions” with a Successful Completion of the 5-Year Development Plan

Goal for 2011 : Achieving 15 trillion won in deposits and 10 trillion won in loans for 2012, through the successful implementation of the “SUPER JUMP 1510” and the “2012 PERFECT FINISH 1510” campaigns.

- Growth Potential for Member Cooperatives’ Mutual Credit Services

The Member Cooperatives will expand stheir businesses with activities, such as attracting deposits from local governments, expanding foreign exchange services, and fund management. All member cooperatives will conduct foreign exchange services; which is, as of the end of 2010, only being conducted at 14 member cooperatives. When the government approves the sale of funds at member cooperatives, fund management will be actively pursued.

- Advancement of the Mutual Credit Service System

The Member Cooperatives will introduce Korea Financial Accounting Standards to member cooperatives and enhance efficiency in financial services through the next-generation information system, Nextro. Also, by examining the existing credit rating models, the assessment function of the models will be improved and the individual credit rating models will be reformed, in order to promote and improve the soundness of loan business.





# 5

## Cooperative Insurance

1. Introduction
2. History of Mutual Assistance
3. Current Status of the Cooperative Insurance Business
4. Crewmen and Vessel Insurance
5. Aquaculture Insurance

# Cooperative Insurance

## 1. Introduction

### A. Purpose

Mutual assistance refers to “assisting one another in times of hardship.” This is a scheme to provide mutual assistance in the event of various crises that may occur in life or while engaging in the economic activities of modern society. The KNFC cooperative insurance is for members and customers to contribute to a common fund and to receive mutual assistance funds in case of accidents and disasters.

Cooperative insurance realizes the spirit of mutual assistance, “One for all, all for one.” The essence of cooperative insurance is to provide mutual assistance to member fishermen and customers to ensure economically stable lives and overcome disasters. Thus, insurance manifests the cooperative spirit of fishermen.

There have been a few mutual assistance arrangements in Korea’s past. Some good examples are *Chang* in the *Shilla* dynasty, *Bo* in the *Goreyo* dynasty and various *Gyes* in the *Choseon* dynasty. *Hyang-yak*, local self-regulations during *Choseon* dynasty, also showed actions to help neighbors in need. The KNFC’s cooperative insurance service (“cooperative insurance”) is the modern form of the mutual assistance traditionhelp.

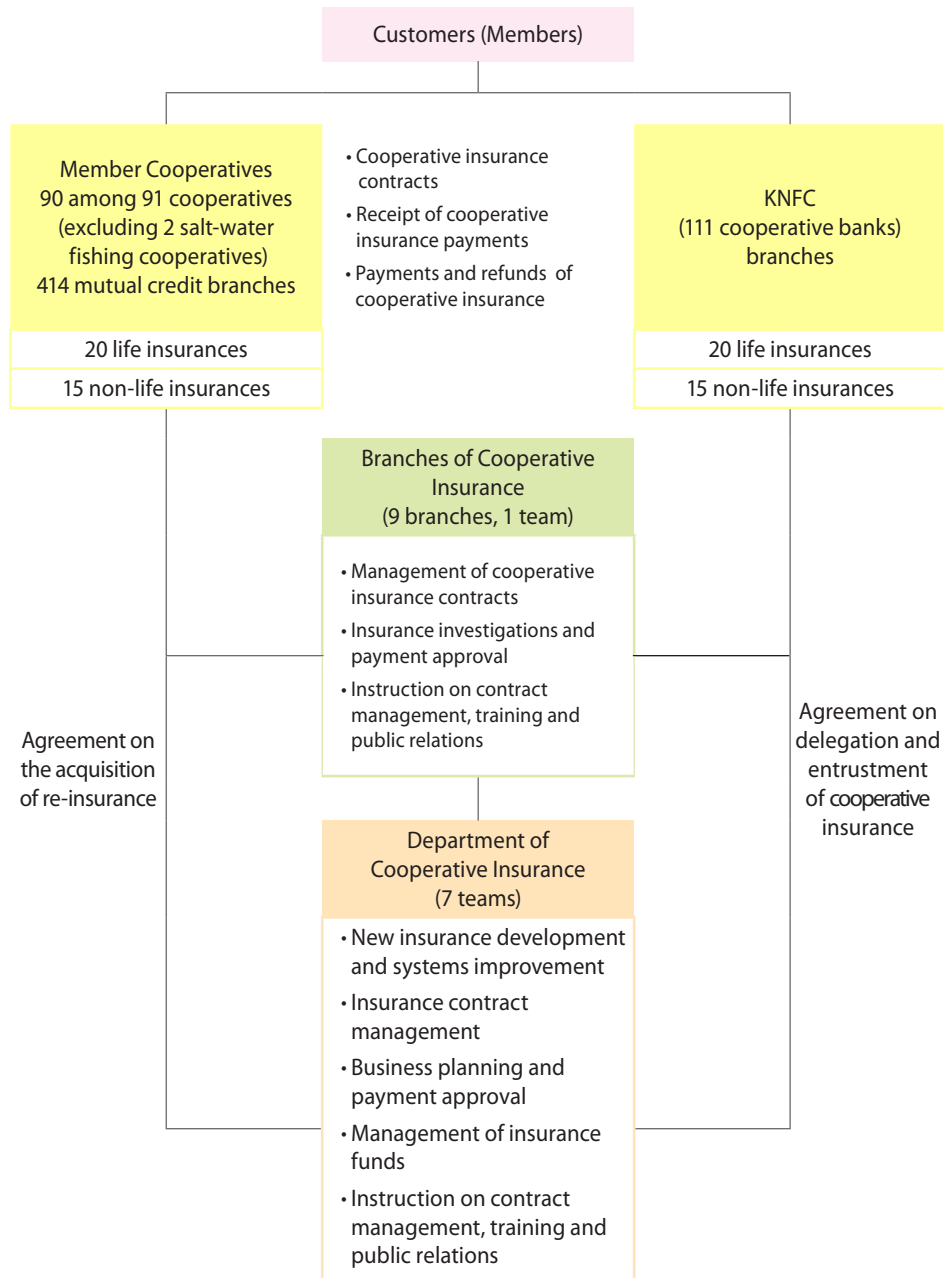
### B. Background

- Legal basis : Article 12 and Article 138 (1) 55 of the Fisheries Cooperative Act
- External regulations : Orders of the Ministry for Food, Agriculture, Forestry and Fisheries, and the Supervision Guidelines for Fisheries Cooperatives’ Cooperative Insurance

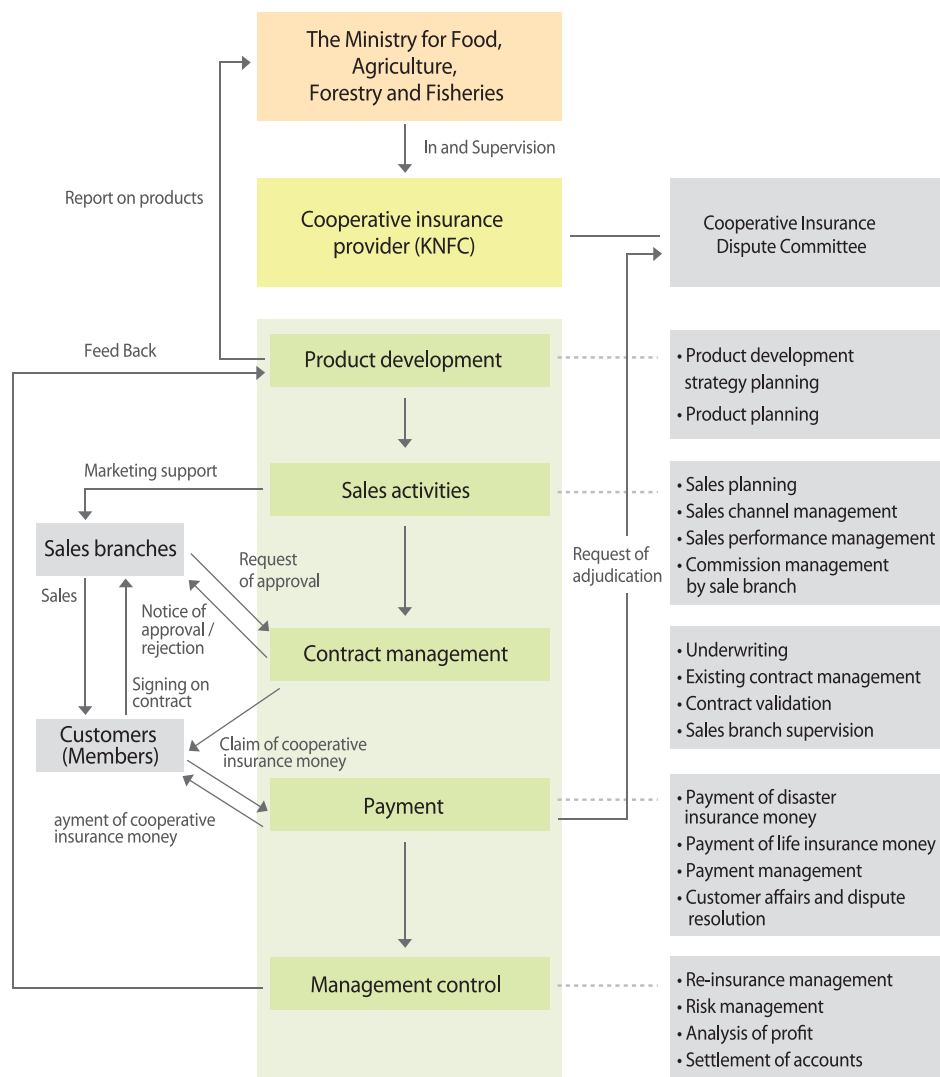
### C. Types of Insurance

- Life Insurance : 20 types, including endowment insurance (Good Choice Savings Cooperative) and health insurance
- Non-Life Insurance : 13 types, including fire, damage and guarantee-type insurances
- Other insurances : 2 types, including injury, illness and long-term care insurances

## D. Business Structure



## E. Procedures





## 2. History of Mutual Assistance

Even before Korea regained its independence in 1945, there was a mutual assistance system into which fishermen and the government made certain contributions and received compensation for losses incurred. A modern mutual assistance plan began from the fishing vessel assistance plan in the late 1930s implemented by the *Choseon* Fisheries Federation and its affiliate fisheries cooperatives in each province. Fishermen made part of the contributions and the rest was subsidized by the central and local governments; the *Choseon* Fisheries Federation took over this plan in 1944. This business was suspended temporarily during the era of social chaos following independence, but resumed with the establishment of the Korea Fisheries Federation in November 1952. In May 1958, the crew assistance plan was implemented to provide compensation to on-board crew members in case of accidents and disasters (this was an early form of today's crewmen insurance). The KNFC, established on April 1, 1962, took over these two plans.

According to a provision of the Fisheries Cooperatives Act, enacted on March 30, 1962, the types of cooperative insurance services were for vessels, crew members, fishing equipment and other cooperative insurance services approved by the Ministry for Food, Agriculture, Forestry and Fisheries. Accordingly, the KNFC has functioned to this day as the agent of cooperative insurance services for fisheries.

On April 15, 1970, a fishermen's cost of living insurance plan and a cooperative insurance plan for the fishermen's children began. In 1978, the government subsidized contributions to the crewmen insurance plan, based on the Coastal Fishing Promotion Plan. In June 1, 1982, the size of the cooperative insurance business grew considerably as a short-term savings insurance plan and a cooperative insurance service for the elderly were developed. After 1980, many guarantee plans, such as cooperative insurance service for illnesses and injuries became available. On March 1, 1993, a framework for the KNFC cooperative insurance business was completed by recruiting cooperative insurance salespersons.

The KNFC completed "the 1<sup>st</sup> KNFC Internal Experience Life-Table" – death rate in December 2005, upon the collection of data to create the "KNFC Internal Experience Life-Table." This Table was applied to the Family Mutual Assistance Plan 2 and all other newly developed products, and enabled the KNFC to secure a more competitive edge, in product development, over many other private insurance companies.

Compensation for losses by coastal fishing crews and vessels was neither well organized nor processed in an efficient and fair manner, because crewmen insurance was under a dual system regulated by the Seafarers Act and the Industrial Accident Compensation Insurance Act, depending on the size (tonnage) of vessels. To solve this problem, the Act on Insurance for Fishing Vessels and Crew Members was enacted on March 19, 2003, and the operation of the insurance business was delegated to the KNFC on January 1, 2004. In 2005, the insurance business stabilized, and the Insurance Compensation Assessment Committee for Fisheries Disasters was established to review major insurance matters and to hear policyholder

appeals against decisions made by Fisheries Cooperatives. In accordance with the Act on Accident Insurance for Cultured Fishery Products, insurance for cultured fishery products was extended to tank-cultured flounder on July 1, 2008; and further extended to abalone and their facilities on May 1, 2010.

Furthermore, in order to expand and make sound the cooperative insurance business, the Ministry for Food, Agriculture, Forestry and Fisheries announced new rules regarding mutual relief. In these ways, the KNFC has built a solid reputation as an insurance provider.

### 3. Current Status of the Cooperative Insurance Business

#### ● Capital and Ordinary Profits

(unit : billion won)

Year	2005	2006	2007	2008	2009	2010
Capital	573.2	637.7	680.9	777.1	1,148.3	1,603.4
Ordinary Profit	2.5	9.5	9.3	9.1	24.6	10.7

※The 2009 figures include a 1.53 billion won reversal of excess reserve.

#### ● Cooperative Insurance Premiums

(unit : billion won)

Year	2005	2006	2007	2008	2009	2010
Total	234.8	258.5	294.1	382.0	592.3	767.5
Life	228.2	250.7	282.0	361.0	559.2	724.6
Loss	6.6	7.8	12.1	21.0	33.1	42.9

#### ● Cooperative Insurance Premiums at KNFC/Member Cooperatives

(unit : billion won)

Year	2005	2006	2007	2008	2009	2010
Total	234.8	258.5	294.1	382.0	592.3	767.5
KNFC	109.3	124.1	141.3	185.2	262.5	311.4
Member Cooperatives	125.5	134.4	148.8	196.8	329.8	456.1

## ● Commission Trends

(unit : billion won)

Year	2005	2006	2007	2008	2009	2010
Total	16.9	17.8	22.9	27.8	36.6	40.0
KNFC	7.7	7.9	9.9	11.3	15.1	15.6
Member Cooperatives	9.2	9.9	13.0	16.5	21.5	24.4

## 4. Crewmen and Vessel Insurance

### A. Summary of Business

#### » Background

- Legal basis : The Act on Accident Insurance for Fishing Vessels and Crew Members (Enacted March 3, 1999. Enforcement began January 1, 2004)

#### » Insurance Provider

The Ministry for Food, Agriculture, Forestry and Fisheries is in charge of accident insurance for the vessels and crew ("Crew and Vessel Insurance") business. The business is delegated to and operated by the KNFC, and its member cooperatives work as agencies.

#### » Accounting

The Crew and Vessel Insurance business is under the accounting scheme of disaster insurance, and is kept separate from the rest of the KNFC's accounting. All profits and losses from Crew and Vessel Insurance fall under disaster insurance.

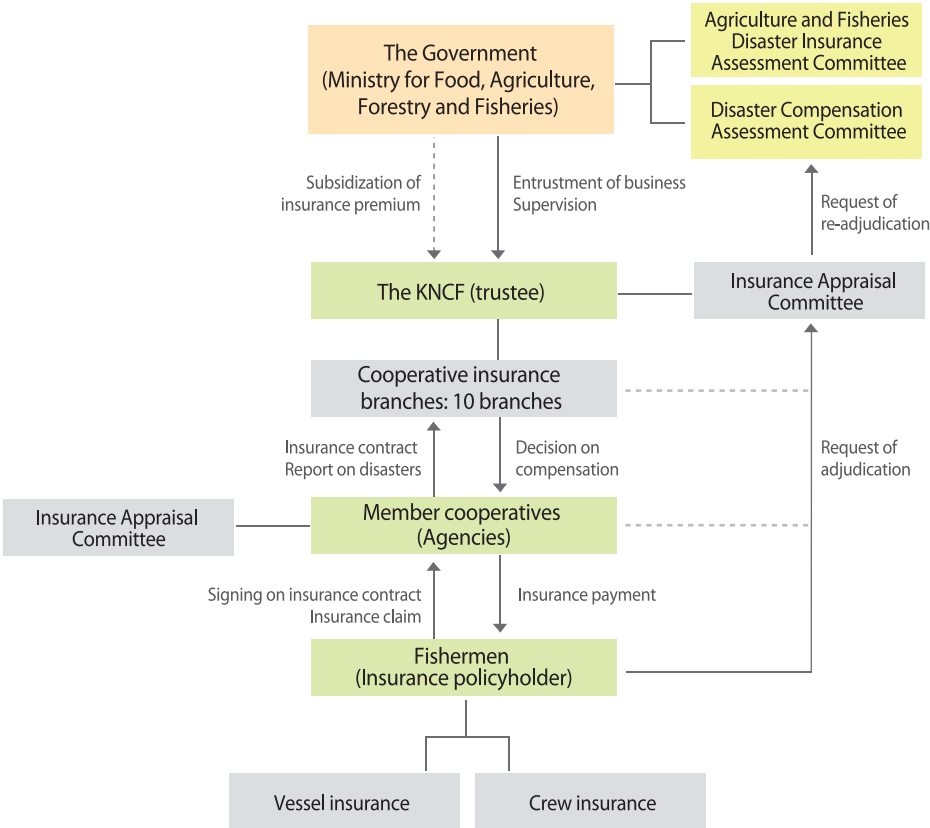
#### » Committee Structure

The Committee on Disaster Insurance for Agriculture and Fisheries (12 members, the chair is the First Deputy Secretary of the Ministry for Food, Agriculture, Forestry and Fisheries) makes decisions on Crew and Vessel Insurance, such as base wages and insurance premiums. The Compensation Committee for Fisheries (15 members, the chair is the Director of Fishery Policies, under the Ministry for Food, Agriculture, Forestry and Fisheries) hears policyholder appeals against decisions made by the KNFC. The Insurance Committee (9 members, the chair is the Executive Director of the KNFC), under the KNFC, adjudicates insurance payment disputes.

## B. Product Details

	Crew	Vessels
Subject of Insurance	<ul style="list-style-type: none"> <li>• Compulsory               <ul style="list-style-type: none"> <li>- Vessels of 5 tons or over (exception : deep-sea fishing vessels)</li> </ul> </li> <li>• Optional :               <ul style="list-style-type: none"> <li>- Vessels under 5 tons(exception : compulsory for owners who own another vessel of 5 tons or over)</li> <li>- Vessel whose crew is family-only and vessels listed in tthe category of “under supervision”</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Optional               <ul style="list-style-type: none"> <li>- Coastal vessels registered under the Fishing Vessels Act (exception : deep-sea fishing vessels)</li> </ul> </li> </ul>
Insurance Period	One year (shorter terms are also allowed)	
Payments	Single lump-sum payments are preferred (up to 4 installment payments per year are allowed)	
Types of Compensation	aftercare allowance, illness allowance, lump-sum compensation, disability allowance, surviving family allowance, funeral expenses, allowance for family of missing persons, and loss of personal property allowance	loss of vessel insurance, collision insurance, emergency assistance fund, loss-prevention, pollution-prevention, and 8 types of special contracts

C. Business Procedures



## D. Current Business Conditions

### ● Contract Trends

(unit : vessel, person)

Index		September 2010 (A)			December 2009 (B)			Increase/Decrease (A-B)		
		Eligible Persons	Contracts Signed	Ratio Contracted	Eligible Persons	Contracts Signed	Ratio Contracted	Eligible Persons	Contracts Signed	Ratio Contracted
Crew	Total Weight (Tons)	74,718	9,698	13.0 %	79,867	9,601	12.0 %	△5,149	97	1.0 %
	5 Tons or Over	8,836	6,795	76.9 %	9,756	6,948	71.2 %	△920	△153	5.7 %
	Under 5 Tons	65,882	2,903	4.4 %	70,111	2,653	3.8 %	△4,229	250	0.6 %
	Number of Crew	121,303	35,091	28.9 %	122,077	33,674	27.6 %	△774	1,417	1.3 %
Vessels	Total Weight (Tons)	74,718	6,882	9.2 %	79,867	6,062	7.6 %	△5,149	820	1.6 %
	20 Tons or Over	2,368	1,830	77.1 %	2,527	1,823	72.1 %	△159	7	5.0 %
	Under 20 Tons	72,350	5,052	7.0 %	77,340	4,239	5.5 %	△4,990	813	1.5 %

### ● Government Subsidies

(unit : billion won)

Year	2004	2005	2006	2007	2008	2009
Insurance Premium Revenue (A)	3,886.6	5,963.6	6,976.0	7,783.6	8,146.8	8,471.9

Year		2004	2005	2006	2007	2008	2009
Government Subsidies (B)	Subtotals	1,384.5	1,495.1	1,800.0	2,012.7	2,654.0	3,635.5
	Net Insurance Premiums for Crew	654.6	795.8	857.3	982.9	1,196.8	1,561.2
	Net Insurance Premiums for Vessels	205.8	149.1	200.7	261.5	389.7	600.2
	Cost of Business Operations	524.1	550.2	742.0	768.3	1,067.5	1,215.3
	Interest						258.8
Shortage of Subsidies (C)		-	501.2	511.5	869.3	15.9	77.4
Fishermen's Contribution (D=A-B-C)		2,502.1	3,967.3	4,664.5	4,901.6	5,476.9	4,759.0

● Ratios of Subsidization to Insurance Premiums

Year	2005	2006–2008	2009	2010
Crew	52% (under 10 tons) 12% (100 tons or over)	62% (under 10 tons) 14% (100 tons or over)	70% (under 10 tons) 14% (100 tons or over)	71% (under 10 tons) 15% (100 tons or over)
Vessels	52% (under 10 tons) 12% (20 tons or over)	62% (under 10 tons) 14% (20 tons or over)	70% (under 10 tons) 14% (20 tons or over)	71% (under 10 tons) 15% (20 tons or over)
Rate of Increase	2% (comparison to 2004)	10% (under 10 tons) 2% (the rest)	Crew: 8% (under 100 tons) Vessels: 8% (under 20 tons)	1%

## 5. Aquaculture Insurance

### A. Summary of Business

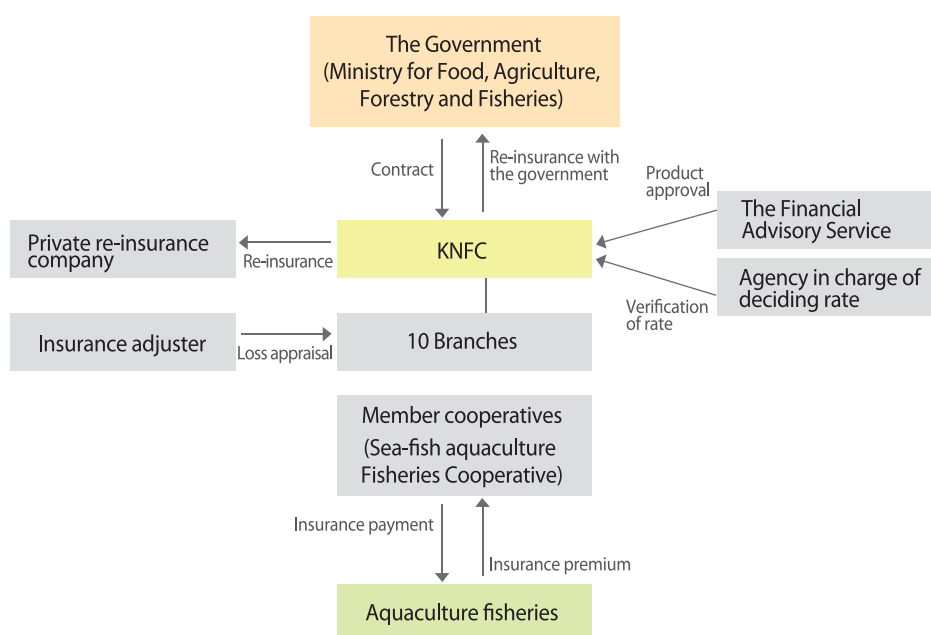
#### » Background

- Legal basis : The Act on Disaster Insurance for Agriculture and Fisheries (March 5, 2009, Act No. 9477)

### » Characteristics

Cultured fisheries insurance is insurance against natural disasters, such as typhoons, strong winds, tidal waves, storms and red tides. As a government-backed insurance program to support fisheries with relief from disasters, 63.5 percent of the insurance premium is subsidized by the government (fisheries pay only 36.5 percent). The government also provides re-insurance against major disasters (140 percent of excess damage).

### » Structure of Business Procedures



## B. Product Details

Index	Aquaculture Insurance for Flounder	Aquaculture Insurance for Abalone
Start of Business	July 1, 2008	May 1, 2010



Index	Aquaculture Insurance for Flounder	Aquaculture Insurance for Abalone
Objects of Insurance	<ul style="list-style-type: none"> <li>• Cultured fisheries (flounder)</li> <li>• Tank facilities for aquaculture</li> </ul>	<ul style="list-style-type: none"> <li>• Cultured fisheries (abalone)</li> <li>• Coastal net cage culture facilities</li> </ul>
Disasters Covered	Typhoons, strong winds, tidal waves and red tides	Typhoons, strong winds, tidal waves and red tides
Product Coverage	<ul style="list-style-type: none"> <li>• Main contract</li> <li>- Special contracts for culture facilities</li> <li>- (Natural disasters) Special contracts for fishery diseases</li> </ul>	<ul style="list-style-type: none"> <li>• Main contract</li> <li>- Special contracts for culture facilities</li> <li>- (Natural disasters) Special contracts for fishery diseases</li> </ul>
Insured Period	one year	one, two or three years (during the pilot project, one year only)
Basis for Compensation	90% of the consignment sale price at place of origin	85% of the sale price at place of origin

### C. Achievement

Year	Number of Subject Households	Contract Goals in 2010 (A)	Number of Newly-Contracted Households in 2010 (B)	Contract Success Ratio (%) (B/A)
Flounder	629	94	133	141%
Abalone	2,024	100	48	48%
Total	2,653	194	181	93%

※Contract Goals by Year

- Flounder : (2008) 5% ► (2009) 10% ► (2010) 15% ► (2011) 20%
- Abalone : (2010) 5% ► (2011) 10%





# 6

## Fisheries Oil Supply

1. Overview
2. Fisheries Oil Distributing System
3. Fisheries Oils Supplied over the Past 10 Years

# Fisheries Oil Supply

## 1. Overview

### A. Definitions and Objectives

“Fisheries oil” refers to oil that the KNFC purchases from oil refineries to supply fisheries facilities and inshore and coastal fishing vessels. The “fisheries oil business” refers to the business of the KNFC and its member cooperatives to purchase, transport, store, sell and supply the fisheries oil.

The fisheries oil business is designed to strengthen the competitiveness of the domestic fishing industry, increase the incomes of fishing households and to promote balanced national economic growth. The KNFC makes this possible by providing reliable and affordable oil to remote islands, remote areas and fishing village communities, as well as to coastal and offshore fishing vessels, with its bulk purchasing power on behalf of member cooperatives.

### B. B Vessels Provided with Fisheries Oil

#### (1) Coastal and Offshore Fishing Vessels

- ① Permitted fishing vessels
- ② Licensed fishing vessels
- ③ Reported fishing vessels

#### (2) Heated facilities used as dressing room by fishermen working without oxygen feeders and transport vessels

#### (3) Essential equipment, operated by fishermen, to produce marine products, equipment for aquaculture, and to rear marine larva

- ① Laver and enteromorpha prolifera dehydrating equipment
- ② Anchovy boiling and dehydrating equipment
- ③ Seaweed, kelp, and hijikia boiling and dehydrating equipment
- ④ Squid dehydrating equipment
- ⑤ Shrimp boiling and dehydrating equipment
- ⑥ Shellfish boiling equipment
- ⑦ Equipment for embankment fish farms
- ⑧ Land-based seawater aquaculture facilities and land-based marine larva rearing facilities

- (4) Fishermen-owned vessels carrying fish from the fishing grounds to aquaculture farms
- (5) Vessels registered for the fishing business under the Fishing Boats for Anglers Act
- (6) Freshwater aquaculture facilities
- (7) Vessels for freshwater fisheries
- (8) Electrical generators in remote areas

### C. Types of Fisheries Oil

#### (1) Fuel oil

Fisheries oils are divided into two categories: (a) oil for fishing boats and (b) oil for facilities and equipment. Oil for fishing boats includes diesel (high and low sulfur), Bunker-A oil (BA), and gasoline. Oil for facilities and equipment to maintain water temperature and pump water include diesel, Bunker-A oil, Bunker-B oil (BB), Bunker-C oil (BC), and kerosene.

Fuel oils are classified by sulfur levels. Fuel oils with more than the permitted levels of sulfur may not be used on land, depending on regions.

#### (2) Lubricating oil

Lubricating oils are used for antifriction, preventing abrasion and heat; a protector inhibiting engine corrosion caused by acids generated from burning fuel oil; a coolant to carry heat away from engine parts; and as an engine cleaner. The KNFC supplies CF-4 and CH-4 lubricating oils, hydraulic oil, internal combustion engine oil, refrigerating machine oil, outboard motor oils and emulsifiers.

## 2. Fisheries Oil Distributing System

### A. Contract

The KNFC signed contracts to purchase petroleum products from four refineries (SK Energy Co. Ltd., GS Caltex Corporation, S-oil Corporation, and Hyundai Oilbank Co. Ltd.) to provide fisheries oil. It purchased petroleum products at factory prices, previously noted by the former Ministry of Trade, Industry and Energy (the present Ministry of Knowledge and Economy). Following the oil price liberalization policy of the Korean government on January 1, 1997, the lowest factory price among the four refineries was determined to be the purchase price, based on agreements between the cooperatives and the refineries. Since the second quarter of 1997, the KNFC has bought oil through a

tendering purchase procedure.

After oil price liberalization, competitive bidding made it possible to purchase and supply fisheries oil at the lowest price based on the bulk purchase power of the KNFC, which satisfies the purchase goals of the cooperatives.

### (1) Purchase Bidding for Fuel Oil

#### ● Appointed competitive bidding

The KNFC has requested fuel oil bids from 4 domestic refining companies (SK Energy Co. Ltd., GS Caltex Corporation, S-oil Corporation, Hyundai Oilbank Co. Ltd.)

#### ● Competitive Bidding Based on the Amounts of Oil to Supply

The offshore supply systems for high sulfur diesel from each company are limited by regions, so competitive bidding, based on the amounts of oil to supply, is necessary to ensure a reliable and timely supply.

#### ● Competitive Bidding Based on Unit Price

Low sulfur diesel, Bunker-A oil, Bunker-B oil, Bunker-C oil and gasoline are put out for bids and the lowest prices of each is auctioned off. The lowest prices by types are applied to all four refining companies. This is done because the oils are distributed through gas stations agencies and it is impossible to immediately change this supply channel.

### (2) Price Adjustments and Linkages

#### ● Price Adjustment

Purchase prices of fisheries oil are set through quarterly bids, as unit price per liter, on a monthly fixed price basis.

#### ● Price Linkage

The supply prices of fisheries oils are determined by the average price - between the 26<sup>th</sup> of the month before last and the 25<sup>th</sup> of prior month - the monthly MOPS.

※MOPS (Means Of Platt's Singapore) is the price of international petroleum products formed in the spot market of Singapore and is used as barometer by some of the largest domestic buyers, including Korea Railroad, Korea Electric Power Cooperation, air carriers, etc., to determine prices.

### (3) Lubricating Oil Purchases

Types of oil used in limited areas are being supplied through private contracts. Types of oil sensitive to price fluctuation and supplied to broad areas are supplied through the appointed competitive bidding process.

- ① Appointed competitive bidding process: CF-4 lubricating oil, CH-4 lubricating oil, hydraulic oil
- ② Private contracts: internal combustion engine oil, refrigerating machine oil, outboard motor oils and emulsifiers

## B. Applying to Purchase Oil

### (1) Supplied through filling stations and gas stations

Member cooperatives must ensure a reliable supply of oil at all times by securing oil stock. In consideration of oil stocks and fishing conditions, member cooperatives make a request to their jurisdictional branches of fisheries oil business for a supply of oil 7 days before the requested delivery date, stating the items below.

- ① Amounts of oils by types
- ② Amount of stock at the date of application
- ③ The requested delivery date
- ④ Other remarks

Business branches submit applications to the KNFC every Wednesday after they collect applications from member cooperatives, stating the requested delivery dates for each member cooperative and oil types based on stock awaiting shipment and transport capacity.

### (2) Supply Through Authorized Dealers of Refineries

The oil supply process through authorized dealers of refineries for equipment essential to the production of marine products, aquaculture equipment, land-based marine larva rearing facilities and land-based freshwater aquaculture facilities is as follows;

- ① Member cooperatives ask fishermen to apply for oil purchases by filling out an application with a requested delivery date and a preferred location, at least 7 days before this delivery date.
- ② Member cooperatives calculate the total amount to be consumed based on priority and sort it by oil types and refineries. A purchase request is made by phone or fax to the authorized dealers of refineries which signed supply contracts.
- ③ Member cooperatives should make sure that fuel purchasers get a receipt from the authorized dealers after receiving their oil, and issue 2 invoices to confirm their receipt, one for the dealer and the other for themselves.

### (3) Supply of Lubricating Oil

Member cooperatives apply for the purchase of lubricating oil on the 1<sup>st</sup>, 11<sup>th</sup> and 21<sup>st</sup> day of each month (or the next day, if it is a holiday) to the KNFC Purchasing Department.

### C. Oil Purchase

With regard to fuel oil, fishermen apply to business branches to purchase the oil they applied for from contract refineries. And they have to immediately notify the business branch of the purchase details and order number. For lubricating oil, member cooperatives directly apply to the KNFC for purchases, buy the lubricating oil and notify the member cooperatives. Transport to the cooperatives is responsibility of the oil supplier.

### D. Oil Transport

- ① The transport of fuel oil is the responsibility of the KNFC. A fisheries oil business branch transports the oil from factories and refinery oil reservoirs to the filling stations of member cooperatives. This may be contracted to private carriers and/or cooperatives owning oil tankers.
- ② Oil transportation contracts are concluded at the business branches level. The head of each branch explores and recommends appropriate vessels based on annual transport volume and oil capacity. Member cooperatives that own transport vessels are preferred over private carriers.
- ③ Land transport is under contracts with gas stations and refineries.
- ④ Lubricating oil is transported to member cooperatives by the suppliers under the purchase contracts.
- ⑤ When transportation vessels of the KNFC, member cooperatives, and private carriers are not available, refinery vessels and oil tankers can be hired under separate contracts.
- ⑥ When the head of a branch office arranges oil tanker transport, he/she must ensure that there are no impurities at the bottom of the tankers, to provide high quality oil. A vessel which transports Bunker-A or Bunker-B oil should be cleaned before carrying diesel oil.



## E. Taking Delivery

### (1) Where to take delivery

The filling stations of member cooperatives are the locations to take delivery of oil. Based on volume gauge readings and temperature conversion tables, oil volume must be precisely measured before issuing an inspection certificate.

### (2) Taking oil samples

When handing and taking delivery of stock in trade, member cooperatives must take an oil sample, seal it and sign it in the presence of the tanker captain and an inspector, to examine for defects in the oil, and store the stock in trade before it is delivered to fishermen. If a defect in the sample is detected while handing the oil as described above, the member cooperative must report the defect to the KNFC via the head of business office, immediately followed by the delivery of the sample.

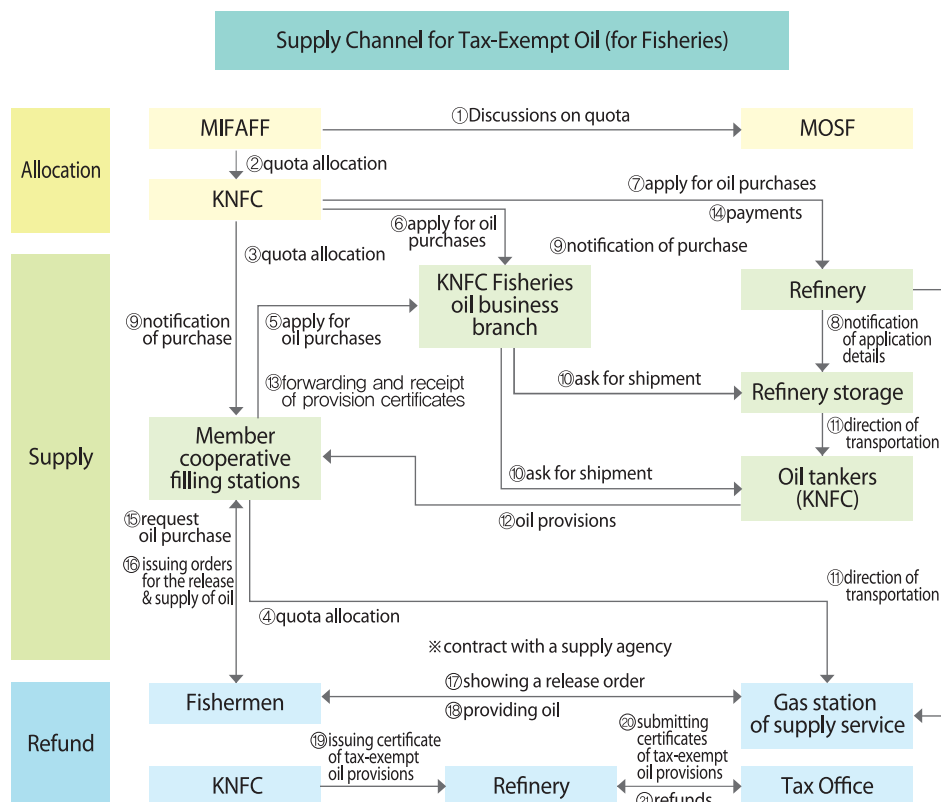
### (3) Responsible Points of Handover/Takeover of Oil

The responsible points of handover/takeover of oil between the KNFC and member cooperatives are as follows.

- ① The handover/takeover of the stock in trade by a tanker takes place where the tanker equipment meets the filling station equipment.
- ② The handover/takeover from an oil tank truck or other container takes place where oil exits through the front line of the loaded truck's equipment.
- ③ The handover/takeover of contained petroleum products takes place when member cooperatives finish the process of handover/takeover at the location designated by the KNFC.

### (4) Payment

- ① Payment due dates for oil supplied to member cooperatives by the KNFC are as follows: in remote areas, 55 – 85 days after the date of the next inspection; in other areas, 30 days after the date of the next inspection.
- ② Payment for oil supplied through authorized dealers of refineries is made by the 15<sup>th</sup> day of the following month.
- ③ Transportation fees for oil supplied through authorized dealers of refineries are directly paid by member cooperatives under a transportation contract between member cooperatives and refineries or their authorized dealers.
- ④ Payment for lubricating oil is made to the KNFC 70 days after placing an order.



### 3. Fisheries Oils Supplied over the Past 10 Years

(unit : million liters)

Year	2001	2002	2003	2004	2005
Volume	1,611	1,548	1,463	1,401	1,278
Year	2006	2007	2008	2009	2010
Volume	1,256	1,237	998	1,097	1,074



# 7

## Fisheries Consignment/Joint Markets

1. Objectives
2. Legal Grounds
3. Business Methods
4. Functions of the Seafood Products Markets  
(Consignment & Joint Markets)
5. Current Consignment/Joint Markets
6. Roles and Results of Consignment/Joint Markets
7. The Outlook for Seafood Products Markets  
(Consignment/Joint Markets)

## Fisheries Consignment/Joint Markets

### 1. Objectives

The consignment/joint markets business has multiple objectives: to strengthen markets for fishing households by bringing together seafood products of low-income fishermen to central locations to distribute them in larger quantity through organizations of the KNFC; to increase prices paid to fishermen by strengthening their negotiating power with dealers; to increase the incomes of fishing households by reducing distribution costs; and to reliably provide seafood products to consumers at affordable prices. The consignment/joint markets business constitutes the largest share of the KNFC's for-profit business. The business methods are consignment sales, direct sales after purchase, collective sales and subscription sales, which make up the largest part of the business.

### 2. Legal Grounds

The consignment/joint markets business is included in the category of businesses that the KNFC and member cooperatives (regional, fishing types, and fisheries processing cooperatives) are authorized to operate under the Fisheries Cooperative Act.

- **The KNFC**

- Article 138 (Business) 1.2 (a) Businesses of purchase, storage, sales and manufacture; and joint business and agent services for member cooperatives and their member fishermen

- **Regional fisheries cooperatives**

- Article 60 (Business) 1.2 (b) Businesses of storage, sales and inspection

- **Fishing type cooperatives**

- Article 107 (Business) 1.2 (b) Businesses of storage, sales and inspection

- **Fisheries processing cooperatives**

- Article 112 (Business) 1.2 (b) Businesses of storage, sales and inspection

### 3. Business Methods

There are four business methods for the consignment/joint markets

- **Consignment Sales** : Auction sales consigned by producers (fishermen)

- **Direct Sales** : Sales of seafood products purchased by the KNFC based on its estimates and under its responsibility for balancing prices between producing and consuming districts.

- **Collective sales** : Sales to profit from large transactions by gathering seafood product produced by low-income fishermen in small quantities into a larger distribution channel.

- **Subscription sales** : Sales based on bulk advance orders from consumers with healthy finances and good credit histories.

#### 4. Functions of the Seafood Products Markets (Consignment & Joint Markets)

The primary function of the consignment/joint markets is to cut social distribution costs based on the principles of minimizing total transactions and the large scale storage. The details are as follows.

- **Function to adjust supply and demand**

Wholesale markets serve compasses to show fluctuations (caused by the concentration of larger quantities of agriculture and seafood products in one location) of supply and demand in certain market circles. Participants in distribution affect supply and demand by adjusting buy and sell quantities in tandem with changes in the wholesale markets.

- **Function to set market prices**

Wholesale markets sustain reasonable prices by forming price balances between suppliers and consumers through public auctions. Retail market prices are often set based on balanced prices.

- **Function to gather products**

Due to the inherent nature of seafood products and their transactions, wholesale markets can facilitate deals by bringing together as many species as possible in as much quantity as possible. Therefore, corporate wholesale markets consistently strive to provide distribution information and payments in advance in order to gather enough quantity of seafood products for wholesale markets.

- **Function to distribute**

Seafood products gathered at wholesale markets can be rapidly distributed to consumers, consumers can buy the products when needed, and the prices at retail markets can be balanced.

- **Function of distributed finance (payments)**

Wholesale markets function as distributed finance, including payments for shipments and loan for payments in advance to producers and dealers

- **Function to reduce distribution costs**

Seafood products can be bought and sold in large lots at wholesale markets, which reduces time and expense.

- **Function to gather and deliver information on distribution**

Wholesale markets where many kinds of goods are gathered can set market prices. Distribution information from wholesale markets is essential for people engaged in distribution to make decisions.

## 5. Current Consignment/Joint Markets

	Consignment Markets	Joint Markets	Remarks
No. of markets	206	7	
Operator	78 member cooperatives	KNFC	
Governing Law	Fisheries Act	(Act on Distribution and Price Stabilization of Agricultural and Fishery Products)	
Business volume (2010)	3,156.4 billion won	270.5 billion won	

※As of October 2010.

### Record of Consignment Sales for the Past 5 Years

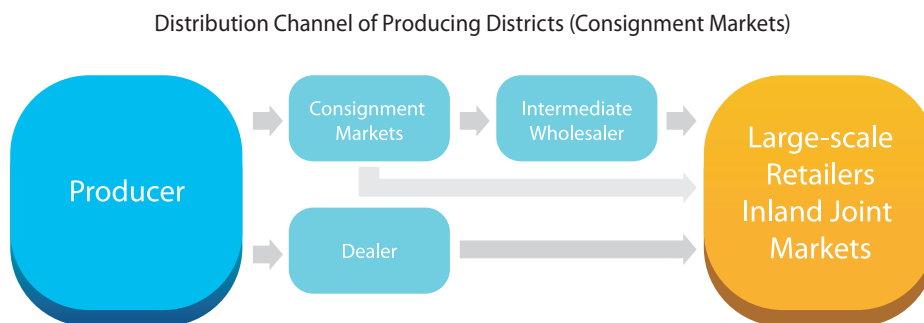
(Unit : 1,000 ton, billion KRW)

		2006	2007	2008	2009	2010
Member Cooperatives	Quantity (weight)	766	781	844	836	785
	Sales	1,893.5	1,995.8	2,294.5	2,779.1	3,156.4
Cooperative Fisheries Markets	Quantity	195	228	254	263	197
	Sales	259.1	282.9	337.7	437.4	380.7
KNFC	Quantity	101	100	92	90	80
	Sales	236.8	237.2	246	266.3	270.5
Noryangjin Fisheries Market	Quantity	98	101	99	101	102
	Sales	318.1	322.1	331.2	343.1	347.1
Total	Quantity	1,160	1,210	1,289	1,290	1,164
	Sales	2,707.5	2,838	3,209.4	3,825.9	4,098

## 6. Roles and Results of Consignment/Joint Markets

### A. Consignment markets in producing districts

Fisheries producing districts are located near fishing ports where fishing vessels may easily land and are places for fish to be sold. Producers, cooperatives, brokers, dealers, processors and distributors are engaged in the markets. Shipping types are divided into route sales and non-route sales centered on the consignment markets of producing districts. In particular, consignment markets act as core distribution channels of the producing districts and account for 50% of the total transactions of seafood products from inshore and coastal areas. Consignment markets in producing districts are located in the vicinity of fishing grounds so that catches are kept fresh in the markets, which perform many functions of distribution including selection, packaging and standardization.



### B. Joint Markets (Consuming Districts)

Joint markets gather goods shipped from consignment markets, determine secondary prices and sell to retailers and consumers. They reduce distribution costs with quick transactions in bulk through auction and bid. They also serve as information centers by rapidly gathering and circulating market information related to seafood product transactions for efficient and streamlined production, distribution and consumption.

Distribution Channel of Consuming District ( Joint Markets )



## 7. The Outlook for Seafood Products Markets (Consignment/Joint Markets)

### A. More vigorous competition among wholesale markets.

In the near future, seafood products consignment/joint markets are anticipated to compete more vigorously with each other due to the unvarying quantities these markets deal with. With rapid changes in the distribution environment, such as the emergence of large scale retailers, corporate wholesale markets are expected to merge and acquire each other to boost competitiveness in response to the changes.

### B. More large retailers in producing districts & greater consumption of products from direct sales

Considering that seafood products from inshore and coastal area are distributed first by auctions through consignment markets, the consumption of seafood products from direct sales is expected to increase, which is predicted to accelerate as more large-scale retailers make inroads into producing districts.

### C. Constant increase of seafood product imports caused by free trade

The unvarying production of seafood products from inshore and coastal area and a decrease in self-sufficiency and rising seafood product imports is predicted to result in an increasing quantity of imported seafood products to the markets.



#### D. Intensifying competition caused by the introduction of the market wholesale system

Changes in distribution structures, such as the introduction of the market wholesale system, is expected to intensify competition between retailers and between people engaged in distribution.

#### E. Strengthening demand for food hygiene and safety

As consumer awareness of food hygiene and safety has greatly improved, a modernization of seafood distribution facilities is strongly required to increase market competitiveness.





# 8

## The Fisheries Price Support Program

1. Objectives
2. Legal Basis
3. Programs and History
4. Procedures of the Price Support Program
5. Scale of the Price Support Program

# The Fisheries Price Support Program

## 1. Objectives

The Price Support Program is designed to promote stability in the lives of Koreans through the protection of producers and consumers by purchasing and stockpiling fishery products during seasons when the catch is high and releasing products to the markets when the catch is low to even out supply and demand. In other words, there are two policy objectives of the Price Support Program: price support to increase incomes of fishing households (i.e. the producers) and price stabilization to keep prices down for consumers.

## 2. Legal Basis

The Price Support Program is pursuant to (a) the Act on Logistics and Price Stabilization of Agricultural and Fishery Products and (b) the Special Act on the Development of Fisheries and Support for Fishermen Following the Conclusion of the Fisheries Agreement.

Article 13 of the Act on Distribution and Price Stabilization of Agricultural and Fishery Products (stockpiles) stipulates that the Minister of MFAFF is authorized to use the Fishery Development Fund to store fishery products or pay part of the fishery products price to producers who agree to ship the products. Fishery products for storage shall be bought from producer groups.

Article 25 of the Special Act on the Development of Fisheries and Support for Fishermen Following Conclusion of the Fisheries Agreements lists ways to support the Price Support Program through loans related to specific purposes of the Fishery Development Fund. These purposes include price stabilization, e.g. adjustment of the shipment and production of fishery products under the Act on Distribution and Price Stabilization of Agricultural and Fishery Products.

## 3. Programs and History

Fishery products stockpile were started by the government in 1979 to implement price stabilization policies. In the early 1980s, the number of fishery products stored started with 1 to 4 products focusing on laver, dried-anchovies, and dried-seaweed, and it increased to 10 items from the middle of 1990 to the early 2000s. But it has gradually decreased since 2000 to 4 items, including squid, mackerel, pollack, and hairtail.

< Table 1 > Product History of the Price Support Program

Year	No.	Item
1980	1	laver
1981	2	laver, dried-anchovies
1982	3	laver, dried-seaweed, dried-squid

Year	No.	Item
1983	1	laver
1984	3	laver, laver, dried-squid
1985	4	laver, dried-anchovies, laver, dried-squid
1986	3	laver, dried-anchovies, dried-seaweed
1987	4	dried-anchovies, laver, dried-squid, frozen squid
1989	5	laver, laver, dried-squid, frozen squid, imported yellow corbina
1990	4	laver, dried-anchovies, frozen squid, imported yellow corbina
1991	3	laver, dried-squid, frozen squid
1992	4	laver, laver, dried-squid, frozen squid
1993	6	laver, laver, dried-squid, frozen squid, dried-seaweed, frozen mackerel
1994	10	items from 1993 + dried-anchovies, frozen pollack, frozen yellow corbina, frozen hairtail
1995	10	same as 1994, dried-anchovies → imported dried-anchovies
1996	10	same as 1995
1997	9	items from 1996 – frozen hairtail
1998	10	items from 1997 + frozen mackerel pike
1999	9	items from 1998 + deep-sea squid – laver – frozen mackerel pike
2000	8	items from 1999 – deep-sea squid
2001	10	items from 2000 + laver, deep-sea squid, imported mackerel
2002	8	items from 2001 + black lackfish – laver, etc.
2003	7	items from 2002 – black lackfish
2004	5	laver, mackerel, squid, pollack, hairtail
2005	5	laver, mackerel, squid, hairtail, live fish
2006	5	laver, mackerel, squid, pollack, Japanese Spanish mackerel
2007	3	squid, mackerel, pollack

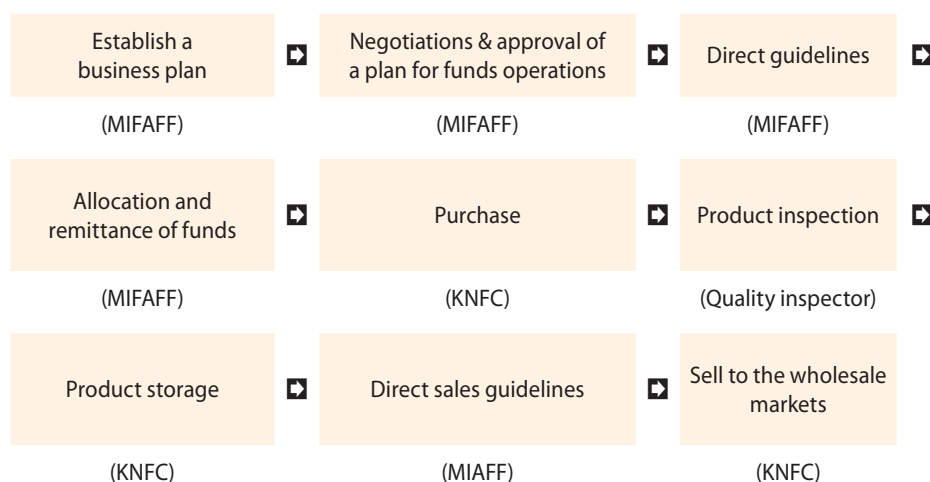
Year	No.	Item
2008	3	squid, mackerel, pollack
2009	3	squid, mackerel, pollack
2010	4	squid, mackerel, pollack, hairtail

#### 4. Procedures of the Price Support Program

MIFAFF established a plan for the Price Support Program before it delivered implementation guidelines and transferred money from the Fishery Development Fund to the KNFC.

Pursuant to the guidelines, fishery products purchased by the KNFC are examined by a quality inspector before being stockpiled. During low production, high price periods, the KNFC sells the stockpile, in compliance with the MIFAFF sales guidelines.

##### Procedure of the Price Support Program



Price Support Program expenses are calculated by multiplying the planned purchase quantity by the purchase price and the ratio of incidental expenses. For example, in 2009, after the quantities and purchase prices of pollack, squid, and mackerel were decided, multiplying the quantity by price and ratio of incidental expenses gave the total expense for one species. Adding all three expenses gave the total amount of expenditure.

&lt; Table 2 &gt; Details of the 2009 Price Support Program

(unit : ton, million won)

	Quantity (A)	Total Expenses (AxBxC)	Unit Price (B)	Ratio of Incidental Expenses (C)
Total	4,670	12,000		
Frozen pollack	1,350	2,000	1,335	1.13
Frozen squid	2,040	6,000	2,281	1.29
Frozen mackerel	1,280	4,000	1,999	1.56

Resource : KNFC

## 5. Scale of the Price Support Program

The scale of the Price Support Program has recently decreased. In the early 2000s, the Program hovered over 70-80 billion won, but it decreased to 30 billion won in 2006, to 10.8 billion won in 2010, and slightly rose to 18.2 billion won in 2011.

&lt; Table 3 &gt; Plan and Execution of the Price Support Program Budget

(unit : million won)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Plan	73,124	83,028	51,217	47,201	45,000	30,000	20,000	25,000	12,000	10,800
Execution	43,435	33,865	47,987	46,302	21,402	32,746	11,668	15,693	11,571	9,319

Resource : KNFC







# 9

## Banking Business

1. Purposes
2. Historical Background
3. Development of the Vanking Business
4. Achievements
5. Future Plans

## Banking Business

### 1. Purposes

Banking is the core function of the Korea National Federation of Fisheries Cooperative's (KNFC) financial services. As the sole bank for the fishing industry, the KNFC was established to improve the socio-economic status of member fishermen. The KNFC has provided financial services pursuant to government-led fishery policies, as well as general financial services as banks, such as money orders, electronic billing and agency services. It has played the role of an exclusive bank by supporting fishermen and fishery organizations with government loans (via the Bank of Korea) and from the KNFC's own funds, striving to support fishermen for the past 49 years.

### 2. Historical Background

From 1961 to 1962, the government pursued extensive financial reforms to lay the financial foundations for growth. The Bank of Korea Act and the general banking system underwent reform. Many exclusive banks for agriculture, fisheries, small businesses and low income groups were established or restructured to expand financial services and to diversify the capital markets.

Following this movement, the Fisheries Cooperative Act was enacted in January 1962. On April 1, the same year, fisheries cooperatives and the Korea National Federation of Fisheries Cooperative (KNFC) were established, after the legal grounds for their banking businesses were inserted in Articles 65 and 132 of the Fisheries Cooperative Act. On May 24, the same year, as Article 10 (2) of the Bank of Korea Act and Article 3 (2) of the Banking Act were amended, stating that "the banking business sectors of the KNFC and member cooperatives are deemed to be one financial institution," the exclusive banking systems for the fishing industry were established.

### 3. Development of the Banking Business

In its early days, the KNFC could not engage in banking due to the lack of systems, human resources and financial resources. On May 1, 1963, it began credit services with a 264 million *won* loan from the government, but failed to function as the exclusive bank for the fishing industry because at the time financial services were provided under a dual system by the Korea Development Bank and the Agricultural Cooperative. On April 16, 1965, when the KNFC acquired a 363 million *won* coastal fisheries fund from the Korea Development Bank and the Agricultural Cooperative, the supply system for coastal fisheries funds was unified.

However, at that time the economic development plan created an enormous demand for financial resources, which were entirely supplied by the government. The KNFC not only faced the challenge of satisfying the demands for fisheries funds, but it could not fully perform its original functions as a cooperative to support members by assisting purchases and sales, and by providing supervision.

Thus, three cooperatives, following the *Busan Fisheries Cooperative*, began credit services on October 22, 1968, based on the one billion *won* financial project established earlier that year. The KNFC and member cooperatives began to function as full-service financial institutions that provided financial services, handling both deposits and loans, as the sales department was established on January 6, 1969, and eight regional offices and *Sok-cho Fisheries Cooperative* started accepting deposits.

During the IMF years, the KNFC, in a difficult situation due to continuous deficit operations, requested government funds in 1997 to improve its credit rating and competitiveness. The government found that the supply of government funds and the Fisheries Cooperative Act had to be reformed to convert the KNFC's banking business into an exclusive fisheries bank. On March 28, 2001, the Public Funds Administration passed a resolution on the supply of government funds for the KNFC's banking business by granting preferential investments. Upon signing the Memorandum of Understanding (MOU) with the Korea Deposit Insurance Corporation on April 5, 2001, the KNFC twice received government funds, 115 billion *won* in total. The MOU set new financial goals, such as a BIS ratio and operating profit per employee, and required the KNFC to effect extensive systemic reforms, such as adopting independent business units, introducing an annual salary system and restricting many new loans that exceed 10 percent of an owner's capital.

During the decision-making process on the supply of government funds, it was found that the Act on the Structural Improvement of the Financial Industry, which provided for the legal grounds for granting general banks government funds, was not applicable to the KNFC banking activities. Government funds were financed for restructuring and maintaining financial systems, so they could not be used for restructuring or improving cooperatives. The Fisheries Cooperative Act was revised on December 30, 2000, as the government demanded that the KNFC separate its liabilities from assets to introduce an unlimited liability system in order to prevent its banking businesses from becoming poorly managed again, despite the use of public funds, and to efficiently recover public funds.

The revised Fisheries Cooperative Act not only separated assets from liabilities in the KNFC's banking business, but also adopted an independent business unit approach — as independent as a separate corporation. In particular, a CEO system, sub-councils within the board of directors and capital investor meetings were introduced. The CEO of the loan service sector exercised independent overall management in areas such as organizational structure, human resources management, and budgeting and accounting; and was responsible for the overall management of the sector. In order to prevent the banking business from becoming insolvent again, cooperatives under poor management were excluded from receiving government funds, the public policies loan system underwent extensive reforms, and market principles were applied to the procedures and conditions of businesses, subject to government supervision.

Upon the infusion of government funds, the banking business innovated new management techniques, and has sustained the vision to “Leap Ahead to Be a First-Rate

Fisheries Bank that Grows with Customers” from 2001 to 2010. As a result, the banking business has exceeded its business goals, based on slogans such as “Guarantee Customer Satisfaction”, “Pursue Maximum Effectiveness”, “Vitalize the Financial Services for Fisheries” and “Realize the Spirit of a Cooperative.”

〈 The KNFC’s Major Businesses in the Banking Sector 〉

Type of Business	Summary of Business
Financial Services for Individuals	<ul style="list-style-type: none"> <li>• Various financial products and services for individuals, such as installment savings accounts, investment accounts, tax-exempt accounts, mortgage loans and consumer loans.</li> </ul>
Financial Services for Businesses	<ul style="list-style-type: none"> <li>• Financial products and services for businesses, such as the deposit of operating capital and investment; loans for administrative, purchase and facility expenses; and bond underwriting.</li> </ul>
Financial Services for Fisheries	<ul style="list-style-type: none"> <li>• Selective financial support policies to develop the fishing industry and to encourage fishermen self-sufficiency by strategically raising funds to implement specific government policies.</li> </ul>
Investment in Marine Industries	<ul style="list-style-type: none"> <li>• Investment in marine industries, such as SOC private investments, shipping finance and harbor construction</li> </ul>
Trusts	<ul style="list-style-type: none"> <li>• Various trust products, such as trust cash funds (trust pension fund, and special cash funds), real estate trusts (real estate trusts, cash bond trusts and securities trusts) and SPC trusts</li> </ul>
Foreign Exchange	<ul style="list-style-type: none"> <li>• Foreign exchange products and services for individuals and businesses, such as on-line/off-line export/import, foreign currency exchange and wire-transfers of money.</li> </ul>
Credit Card Services	<ul style="list-style-type: none"> <li>• Various credit card services that meet customer consumption patterns and lifestyles.</li> </ul>
Mutual Funds	<ul style="list-style-type: none"> <li>• Various financial products that meet customer needs, such as MMF’s, bond funds, domestic stock funds, international stock funds and FLF’s.</li> </ul>
Bancassurance	<ul style="list-style-type: none"> <li>• Life and loss insurance with low premiums and high quality services.</li> </ul>

#### 4. Achievements

The KNFC's banking business is a financial institution supplying fishery policy funds , a major government policy goal for the fishing industry. It is the only institution that supports the distribution and processing of fishery products by providing fishery development funds as well as supplying fisheries funds to fishermen.

The KNFC's banking business has top notch brand power and expertise in the fishing industry. In 2010, it supplied a total of 3.4 trillion *won* in fishery policy funds to fishermen: 1.5 trillion *won* in fisheries funds, 335.3 billion *won* in debt redemption funds and 390.8 billion *won* in fishery development funds . It also developed general-use loan products exclusively for fishermen to support fishermen who did not otherwise benefit from the fishery policy funds.

The KNFC's banking business also implemented government relief plans to assist fishermen affected by natural disasters (such as typhoons) and accidents, so that they can return to work as soon as possible. It is working together with the Credit Guarantee Fund for Farmers and Fishermen for the efficient distribution of relief funds.

Recently, the KNFC's banking business has been striving to establish advanced financial systems for fisheries by expanding the value chain of the fishery policy funds and to build information systems for financial services. It is also making efforts to provide financial support for the maritime industry, such as marine SOC.

Moreover, the KNFC's banking business provides financial support to the Korea Legal Aid Corporation in return for free legal representation for fishermen and the Dokdo Conservation Society, through the sale of financial products in the public interests, such as Fishermen Love Savings Account . It is steadily expanding support for public interest programs, such as 'Sea Love' and Share Savings Account to benefit the Fishermen's Foundation.

〈 Raising Funds for Public Service Products and Contribution Trends (End of 2010) 〉

(unit : million *won*)

Product Name	Date of Sale	Number of Shares	Amount	Rate of Contribution to the Funds	Funds		Beneficiary
					Amount Raised	Amount of Contribution (B)	
Total		451,039	544,278		1,315	967	-

Product Name	Date of Sale	Number of Shares	Amount	Rate of Contribution to the Funds	Funds		Beneficiary
					Amount Raised	Amount of Contribution (B)	
Sea Love Savings Accounts	May 2001	128	328	1% of the interest from Sea Love Savings Accounts	148	-	Fishery Development Funds
Fishermen Love Savings Accounts	February 1996	436,111	146,639	2% of the interest from Fishermen Love Savings Accounts	733	650	Korea Legal Aid Corporation
Dokdo Love Savings Accounts	February 1997	360	4,137	0.1% of the interest from Dokdo Love Savings Accounts	270	219	Dokdo Conservation Society
Dokdo Love Student Savings Accounts	March 1999	2,801	2,928	0.2% of the interest from Dokdo Love Student Savings Accounts			
Fishing Community Welfare Savings Accounts	May 2000	5,687	5,056	0.1–0.2% of the average annual balance of Fishing Community Welfare Savings Accounts	145	98	Fishermen's Foundation and Fishing Village Cooperatives
Sea Love and Share Savings Accounts	May 2010	5,952	385,190	0.02% of the average annual balance of Sea Love and Share Savings Accounts	19	-	

## 5. Future Plans

As the government's partner in financial services, the KNFC has supported the government's maritime and fishery policies and has been a bridge between the government and the fishing industry, to promote well-balanced national development. The KNFC's banking business will continue to strengthen itself as a cooperative bank, exclusively for fisheries. To achieve these goals, it must overcome limitations imposed by WTO, DDA and FTA regarding direct government support, and it must continue to develop financial products and services to secure the fishing industry's ability to grow. In particular, it is preparing to promote the sale of Sea Love and Share Savings Accounts, a financial product to benefit the Fishermen's Foundation. The KNFC is also pursuing reduced interest rates on fisheries funds with in active collaboration with relevant government agencies, such as the Ministry for Food, Agriculture, Forestry and Fisheries. In addition, it will implement various support plans for fishermen, such as strengthening support for fisheries cooperatives at the local level and expanding opportunities for people living in cities to experience fishing village life.







# 10

## The Fisheries Funds

1. Purposes
2. Historical Background
3. Legal Grounds
4. The Status of Loan Services
5. Current Conditions
6. Achievements

## The Fisheries Funds

### 1. Purposes

The purpose of the fisheries funds is to promote the welfare of fishing villages by increasing the household incomes of fishermen and stabilizing the management of the fisheries industry, through low-interest loans for the operational expenses of small-scale fisheries to produce their own fishery products.

### 2. Historical Background

Since primary industries, such as the fisheries industry, have had difficulty providing collateral because of the small scale of the businesses, the government for a long time has offered low-interest, special-purpose loans. Among those loans, the fisheries funds are for short-term operational expenses for coastal and deep-sea fishing. Until the early 1970s, the financial resources of the fisheries funds came mostly from the government, but the proportion of government funds steadily declined due to the inflows of the KNFC's withholdings and loans from the Bank of Korea (later, the loans from the Bank of Korea were stopped).

In 1974, the fisheries funds surpassed 10 billion won (reaching 12.3 billion won exceeded 1 trillion won in the late 1990s, and now stands at 1.9 billion won. Any person directly engaged in the fishery business after attaining a fishery license or permit, or reporting their fishery business is eligible to apply for the loans, with preference given to low-income fishermen lacking financial means and the fisheries successors .

The loan terms are generally one year, but flexible for the industries which take longer than a year to produce their products. The interest rate was reduced from 10 percent to 8 percent in 1986, in accordance with the Comprehensive Plans for Rural Communities; and again to 5 percent in 1989, in accordance with the Comprehensive Development Plans for Rural Communities; and again to 3 percent on March 1, 2004. The KNFC's loss resulting from such low interest rates is entirely compensated by the government.

Each year, research is conducted by the KNFC on the total funds required for coastal fishing, and by the Korea Deep-Sea Fishing Association for deep-sea fishing. For vessel fishing, the required expenditures for fishing include the hull maintenance, engine maintenance, fishing equipment repair, advance payment to the crew, crew benefits, food and fuel. For aquaculture fisheries, the required outlays until the first picking include seed and seedling expenses, facility maintenance, labor and feed stuff.

### 3. Legal Grounds

#### ① The Fisheries Act, Article 84 (Financial Support)

The administrative agency may provide subsidies or loans in cases where it is necessary for promoting and improving the fisheries industry.

- ② Necessary matters relevant to the criteria and procedures for a loan in accordance with Clause (1) are prescribed by the ordinance of the Ministry for Food, Agriculture, Forestry and Fisheries.
- ③ Fisheries Industry Policy Fund Profit-Loss Management Rules  
(by Order No. 188 of the Ministry for Food, Agriculture, Forestry and Fisheries)

#### 4. The Status of Loan Services

In 2000s, approximately 1.4 trillion won in fisheries funds were supplied annually, but by 2011 only 39 percent of the total required was supplied. The financial resources of fisheries funds in 2011 consisted of 28 percent government funds, 54 percent KNFC credit funds and 18 percent KNFC mutual credit funds. As for the distribution, 93.7 percent was supplied to coastal fishing and 6.3 percent was supplied to deep-sea fishing.

With respect to the direction of fisheries funds distribution, 100 percent of the required funds was supplied to (a) small-scale fisheries (e.g. sectional and community fishing, collaborative aquaculture, reported fishing (by fishing nets or cast nets) and bare-handed fishing), which have little means of finance; (b) fisheries successors and incorporated fisheries cooperatives (limited to the fishery's expenses for three years after approval or founding), supported by government policy; and (c) fishermen participating in the self-regulated fishery pilot project. However, in 2011, the required loan ratio was raised from 70 percent to 100 percent of required expenses per household (the management body). As a result, other coastal fisheries businesses actually benefit from the larger funds. For deep-sea fishing, the funds are supplied at 15–55 percent of the required expenses per entity, depending on total expenses.

To prevent the misuse of fisheries funds, persons who borrow 50 million won or more (excluding the deep-sea fishing business) are subject to investigation of the management once during the one year term of loan, and persons who borrow 100 million won or more are subject to two inspections a year. The interest rate has been 3 percent (APR) since March 1, 2004, and the loan maximums for coastal fishing (exclusive of deep-sea fishing) has been increasing each year.

## 5. Current Conditions

### A. Procedures and Details of Financial Support

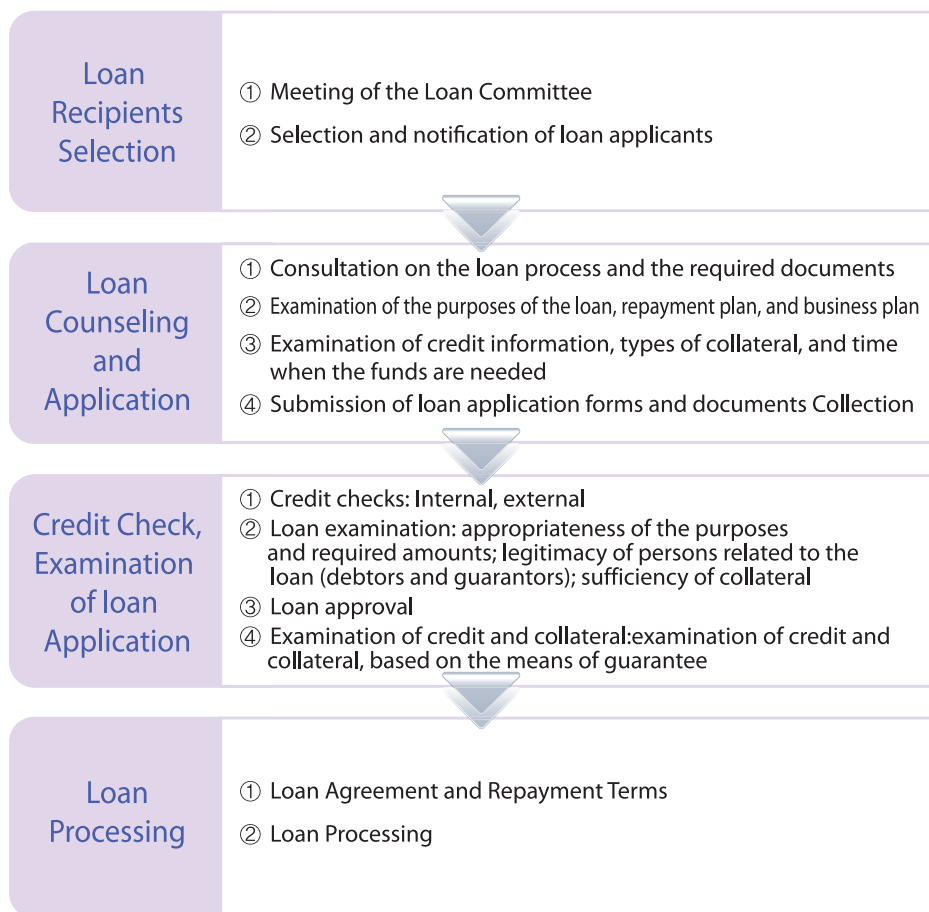


- Loan Recipient Candidates: Coastal fishermen and deep-sea fishing businesses (including corporations)
- Scale of Services: 1.9 trillion won
- Maximum loan amounts: individuals, 1.5 billion won; corporations, 2 billion won; deep-sea fishing businesses, 10 billion won
- Terms of Loan: 3.00 percent (APR), one year (extendable twice )

With respect to the current conditions of financial support, the total supply of fisheries funds in 2011 was 1.9 trillion won, the same amount as the prior year, providing 1.8 trillion won for coastal fishing and 120 billion won for deep-sea fishing.

Of the 1.9 trillion won total fisheries fund, 90 billion won is held in reserve as an emergency fisheries fund for rapid reaction in case of disasters and other emergencies. As of March 11, 2011, 34.7 billion won (including 21.5 billion won for the Yellow Sea fishermen whose livelihoods were threatened by a North Korean artillery bombardment) was supplied to fishermen suffering from damages and to secure funds for the fishery business and living costs.

## B. Fisheries Funds Loan Procedures



## C. Fisheries Funds Supply Status (2007–2011)

(unit : billion won)

Year	2007	2008	2009	2010	2011
Demand	4,129.9	4,168.5	4,422.3	4,683.7	4,869.0
Supply	1,505.0	1,505.0	1,905.0	1,905.0	1,905.0
Supply Ratio	(36%)	(36%)	(43%)	(41%)	(39%)

Year		2007	2008	2009	2010	2011
Funds Sources	Government Funds	563.6	563.6	563.6	563.6	528.4
	KNFC Credit Funds	443.3	443.3	954.4	954.4	1,028.5
	KNFC Mutual Credit Funds	498.1	498.1	398.1	398.1	348.1
Funds Distribution	Coastal Fishing	1,425	1,425	1,785	1,785	1,785
	Deep-Sea Fishing	80	80	120	120	120

#### D. Fisheries Funds Interest Rates

Date of Change	Interest Rate	
	Coastal Fishing	Deep-Sea Fishing
12-Jan-1980	15.0%	15.0%
14-Jan-1982	14.0%	14.0%
1-Mar-1982	13.0%	13.0%
1-Apr-1982	12.0%	12.0%
28-Jun-1982	10.0%	10.0%
1-Jul-1985	8.0%	8.0%
11-Jan-1989	5.0%	8.0%
1-Jan-1996	5.0%	6.0%
1-Jan-1997	5.0%	5.5%
15-Apr-1998	6.5%	7.0%
1-Jul-1999	5.0%	5.5%
1-Jul-2002	4.0%	4.5%
1-Mar-2004 to present	3.0%	3.0%

## 6. Achievements

Up until the 1970s, Korean fishing villages and the Korean fisheries industry faced many difficulties due to the lack of funds. The government provided very limited financial support for fishing activities. As a result, many fishermen were trapped in a vicious circle of high-interest loans. Later, the government fully committed itself to providing fisheries with low-interest loans, laying the groundwork for stable fishing activities which became the foundation for the strong development of fisheries today.







# 11

## The Fisheries Funds Estimation Survey

1. What is the Fisheries Funds Estimation Survey?
2. Changes Needed in the Fisheries Funds

# The Fisheries Funds Estimation Survey

## 1. What is the Fisheries Funds Estimation Survey?

The Fisheries Funds refer to low-interest government loans for fishermen (including incorporated fishermen) to help defray the expenses of the fisheries business. The Fisheries Funds Estimation Survey provides the basis from which the government determines the amount of fisheries funds to supply. The Guideline for the Management of Fisheries Funds prescribes that the size of the Fisheries Funds be estimated based on the costs per type of fisheries and industries, which are obtained from surveys conducted by the KNFC and the Korea Overseas Fisheries Association.

The KNFC conducts the Fisheries Funds Estimation Survey for all fisheries industries each year, excluding deep-sea fishing. The survey is roughly categorized by fishing activities and the funds needed per fishing activity. The fishing activities are determined by a complete enumeration survey, and the funds needed per fishing activity are determined by a sample survey.

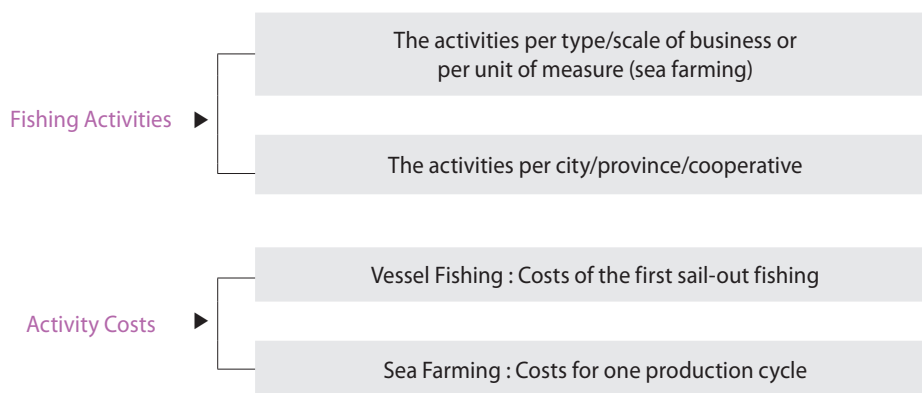
< Types of Fishing Subject to the Fisheries Funds Estimation Survey >

	Types of Fisheries
Coastal Fishing	Large-Scale Danish Seine Fishing, Large-Scale Bottom Pair Trawl Fishing, Mid-Scale East sea Trench Danish Seine Fishing, Mid-Scale South-West Sea Trench Danish Trench Fishing, Mid-Scale South-West Sea Trench Bottom Pair Trawl Fishing, Large-Scale Trawl Fishing, Mid-Scale East Sea Trench Trawl Fishing, Large-Scale Net Fishing, Small-Scale Net Fishing, Offshore Rip Hooks Fishing, Offshore Gill Net Fishing, Offshore Stow Net Fishing, Offshore Stick-Held Dip Net Fishing, Offshore Damsel Fish Lift Net Fishing, Offshore Eel Pot Fishing, Offshore Giant Octopus Pot Fishing, Offshore Pot Fishing, Offshore Long Line Fishing, Steamer Anchovy Drag Net Fishing, Diving with Equipment
Deep-Sea Fishing	Coastal Stow Net Fishing, Coastal Net Fishing, Coastal Pot Fishing, Coastal Beam Trawl Fishing, Coastal Drag Net Fishing, Coastal Gill Net Fishing, Coastal Lift Net Fishing, Coastal Multiple Fishing
Fixed Shore Net Fishing	Large-Scale Fixed Shore Net Fishing, Mid-Scale Fixed Shore Net Fishing, Small-Scale Fixed Shore Net Fishing
See and Nursery Fisheries	Above-Ground Tank See and Nursery Fisheries, Above-Ground Tank Stone-caged See and Nursery Fisheries, Rope Method See and Nursery Fisheries, Rack Method See and Nursery Fisheries, Raft Method See and Nursery Fisheries
Sea Farming	Collaborative Sea Farming, Seaweed Farming, Shellfish Farming, Fish Farming, Community Sea Farming, Multiple Sea Farming

	Types of Fisheries
Sectional Fisheries	Fixed Shore Net Sectional Fisheries, Mobile Shore Net Sectional Fisheries
Free Fishing	Sinking Cast Net Fishing, Bare-hand fishing, Net Fishing
Inland Water Fisheries	Inland Water Sea Farming, Inland Water Fisheries

The survey categorizes fishing activities per types/scales of fishing, standard units, city/province/cooperative and member/non-member. The funds needed per fishing activity refers to the expenses of the first sail-out fishing for vessel fishing, and the expenses incurred during one production cycle for sea farming.

< The Components of the Fisheries Funds Estimation Survey >



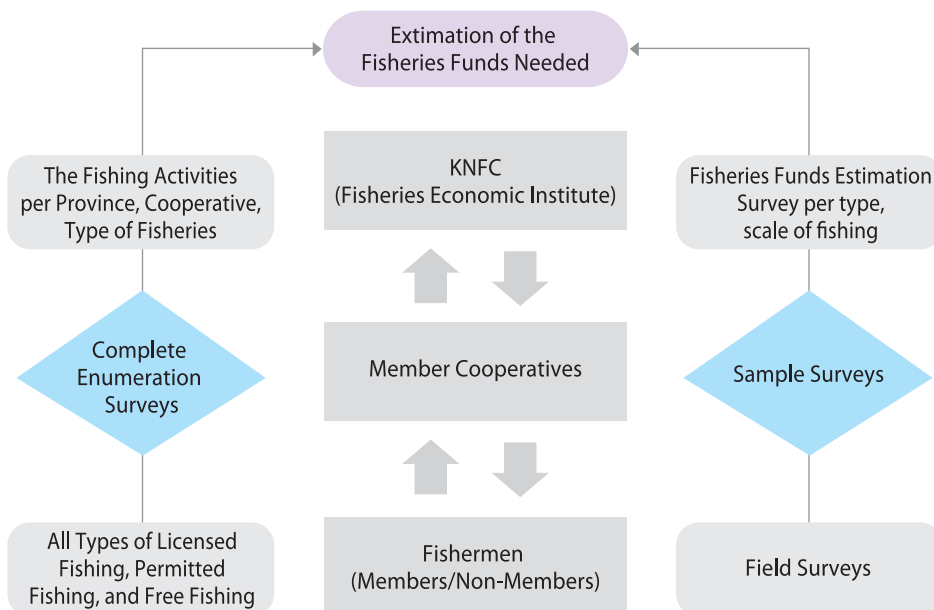
The KNFC is responsible for planning, supervising, collecting and analyzing the Fisheries Funds Estimation Survey, and member cooperatives conduct the field surveys. Surveyors from member cooperatives conduct complete enumeration surveys on licensed, permitted and free fishing, which were approved by a government agency for fishermen in the district of cooperative. Fisheries funds needed per fishing activity are determined by a sample survey per scale of fishing.

The KNFC provides training to surveyors of member cooperatives, prior to each annual survey. The training provides guidance and teaches survey techniques to ensure efficient surveys.



<Fisheries Funds Estimation Survey Training >

<Fisheries Funds Estimation Survey Process>



The Fishing Activities per Province/Cooperative/Type of Fisheries - The KNFC (Fisheries Economic Institute) - Fisheries Funds Estimation Survey per type/scale of fishing

Complete Enumeration Surveys - Member Cooperatives - Sample Surveys

All Types of Licensed Fishing, Permitted Fishing, and Free Fishing - Fishermen (Members/Non-Members) - Field Surveys

## 2. Changes Needed in the Fisheries Funds

The major expenses for the fisheries funds for the past 5 years have been labor and fuel for vessel fishing, and seeds and labor for sea farming. With respect to vessel fishing, the costs of fuel have significantly increased due to the high cost of oil since 2008. With respect to sea farming, the cost of seeds has steadily declined due to the development of cultured technologies, but feed costs have increased due to increases in global raw materials prices.

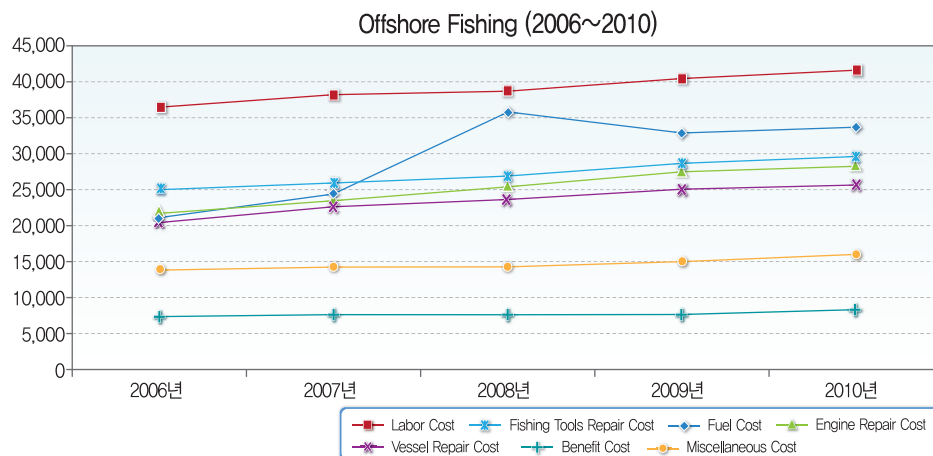
### 1) Offshore Fishing

One fishing activity in offshore fishing represents one administrative case. Averaging the past 5 years, the expenses per fishing activity have been, in descending order: labor (23%), fuel (18%), fishing tools repair (16%), engine repair (15%), vessel repair (14%), benefits (5%) and miscellaneous expenses (9%).

(Unit : 1,000 won)

Year	2006	2007	2008	2009	2010	2006~2010	
						5 year Average	Ratio
Vessel Repair Cost	20,816	22,744	23,585	25,029	25,705	23,576	14%
Engine Repair Cost	21,504	24,033	25,537	27,574	28,289	25,387	15%
Fishing Tools Repair Cost	25,063	25,814	26,895	28,643	29,670	27,217	16%
Labor Cost	36,410	38,291	38,708	40,527	41,742	39,136	23%
Benefit Cost	7,251	7,456	7,492	7,575	8,190	7,593	5%
Fuel Cost	21,067	24,416	35,513	32,842	33,757	29,519	18%

Year		2006	2007	2008	2009	2010	2006~2010	
							5 year Average	Ratio
Miscellaneous Cost	Materials Cost	4,600	4,826	4,828	4,949	5,278	4,896	3%
	Ice and Fish Box Cost	3,942	4,025	4,186	4,291	4,620	4,213	3%
	Food Cost	3,092	3,136	3,178	3,432	3,735	3,315	2%
	Baits	2,188	2,256	2,168	2,222	2,327	2,232	1%
Total		145,931	156,997	172,090	177,083	183,313	167,083	100%



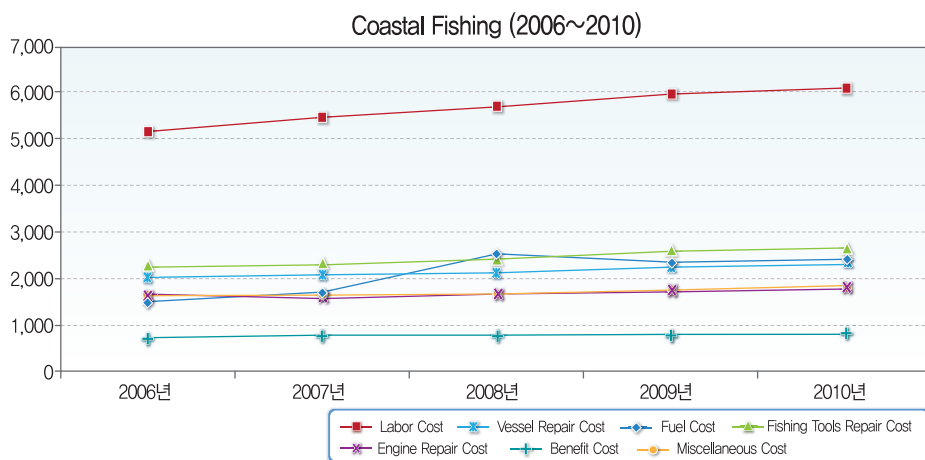
## 2) Coastal Fishing

One fishing activity in coastal fishing represents one administrative case. Averaging the past 5 years, the expenses per fishing activity have been, in descending order: labor (34%), fishing tools repair (15%), fuel (12%), vessel repair (14%), engine repair (10%), benefits (5%) and miscellaneous expenses (11%), showing higher labor expenses and lower fuel expenses, relative to offshore fishing.

※Excluding non-powered vessels at coast

(Unit : 1,000 won)

Year		2006	2007	2008	2009	2010	2006 - 2010	
							5 Year Average	Ratio
Vessel Repair Cost		2,031	2,063	2,111	2,229	2,472	2,181	13%
Engine Repair Cost		1,648	1,670	1,694	1,789	1,826	1,725	10%
Fishing Tools Repair Cost		2,259	2,295	2,423	2,580	2,619	2,435	15%
Labor Cost		5,156	5,471	5,715	5,983	6,108	5,687	34%
Benefit Cost		729	750	774	782	825	772	5%
Fuel Cost		1,483	1,705	2,505	2,317	2,407	2,083	12%
Miscellaneous Cost	Materials Cost	577	590	610	625	652	611	4%
	Ice and Fish Box Cost	271	277	272	279	292	278	2%
	Food Cost	606	618	583	630	655	618	4%
	Baits	180	184	207	212	214	199	1%
Total		14,940	15,623	16,892	17,426	18,069	16,590	100%





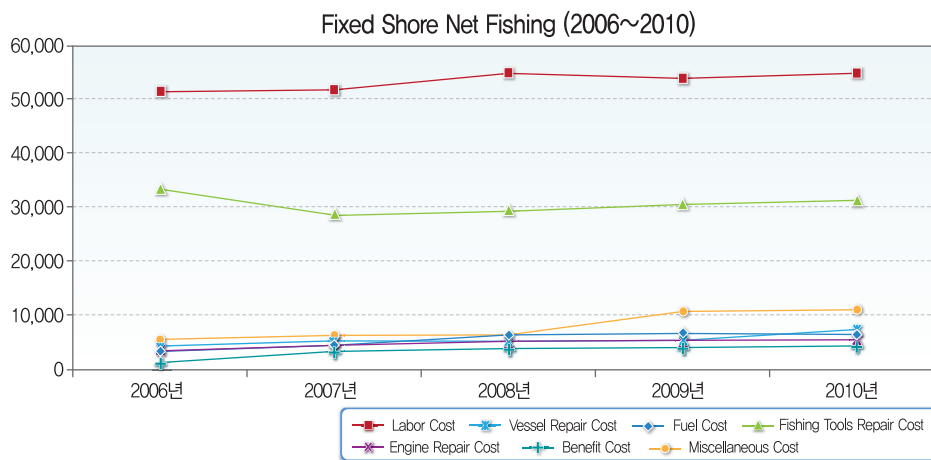
### 3) Fixed Shore Net Fishing

One fishing activity in fixed shore net fishing represents one administrative case. Averaging the past 5 years, the expenses per fishing activity have been, in descending order: labor (48%), fishing tools repair (27%), fuel (5%), engine repair (5%), vessel repair (5%), benefits (2%) and miscellaneous expenses (5%), showing higher labor expenses and lower fuel expenses, relative to offshore fishing and coastal fishing, due to the differences in fishing methods.

(Unit : 1,000 won)

Year		2006	2007	2008	2009	2010	2006 - 2010	
							5 Year Average	Ratio
Vessel Repair Cost		4,296	4,947	5,055	5,226	6,910	5,287	5%
Engine Repair Cost		3,698	5,898	6,028	5,993	6,197	5,563	5%
Fishing Tools Repair Cost		33,233	28,669	29,300	30,296	31,080	30,516	27%
Labor Cost		51,613	51,836	55,049	54,039	54,944	53,496	48%
Benefit Cost		1,943	2,091	2,116	2,492	2,672	2,263	2%
Fuel Cost		3,425	4,372	6,423	6,795	6,984	5,600	5%
Miscellaneous Cost	Materials Cost	703	3,201	3,422	3,916	4,200	3,088	3%
	Ice and Fish Box Cost	1,053	1,257	1,344	1,841	1,974	1,494	1%
	Food Cost	2,395	2,830	2,923	3,203	3,269	2,924	3%
	Miscellaneous Cost	0	0	0	2,946	2,980	1,185	1%
Total		102,359	105,102	111,661	116,748	121,211	111,416	100%





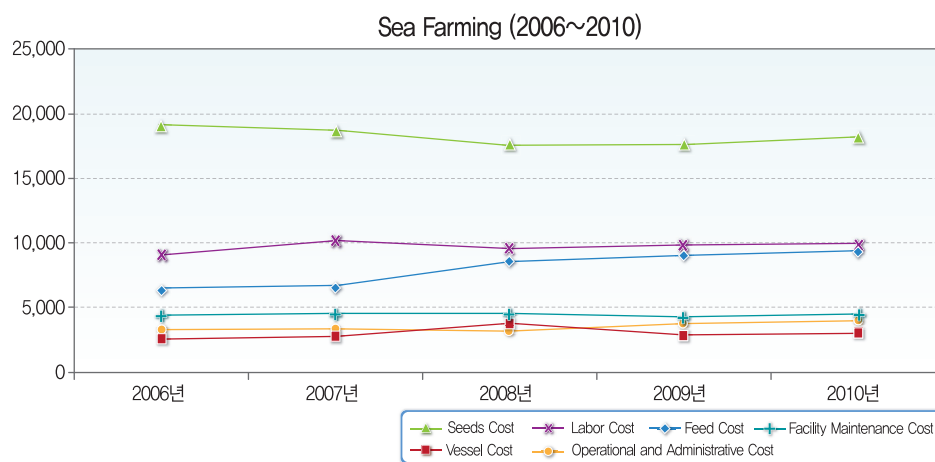
#### 4) Sea Farming

One fishing activity in sea farming represents one administrative case. Averaging the past 5 years, the expenses per fishing activity have been, in descending order: seeds (39%), labor (21%), feed (17%), facility maintenance (9%), operational and administrative expenses (8%) and supplementary vessel expenses (6%), showing the greatest percentage of seeds expenses, a characteristic of sea farming.

(Unit : 1,000 won)

Year	2006	2007	2008	2009	2010	2006 - 2010	
						5 Year Average	Ratio
Seeds Cost	19,121	18,664	17,610	17,648	18,147	18,238	39%
Facility Maintenance Cost	4,292	4,382	4,298	4,211	4,309	4,298	9%
Vessel Cost	2,579	2,592	3,550	2,866	2,971	2,912	6%
Labor Cost	9,244	10,176	9,559	9,830	9,890	9,740	21%
Operational and Administrative Cost	3,135	3,358	3,326	3,708	3,843	3,474	8%
Feed Cost	6,305	6,505	8,591	9,045	9,312	7,952	17%

Year	2006	2007	2008	2009	2010	2006 - 2010	
						5 Year Average	Ratio
Total	44,676	45,677	46,942	47,717	48,889	46,614	100%



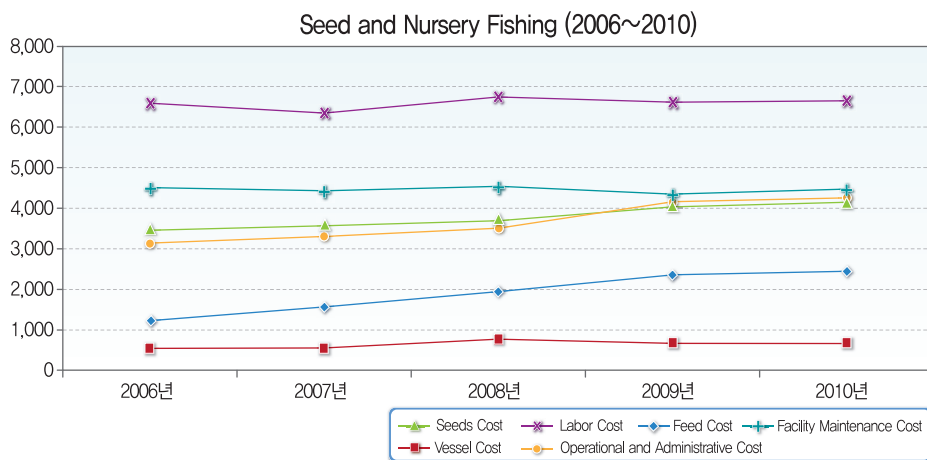
### 5) Seed and Nursery Fisheries

One fishing activity in seed and nursery fisheries is converted from the standard area per seed. Averaging the past 5 years, the expenses per fishing activity have been, in descending order: labor (31%), facility maintenance (21%), seeds (18%), operational and administrative expenses (18%), feed (9%) and supplementary vessel expenses (3%), showing higher labor expenses, relative to sea farming.

(Unit: 1,000 won)

Year	2006	2007	2008	2009	2010	2006 - 2010	
						5 Year Average	Ratio
Seeds Cost	3,411	3,588	3,727	4,057	4,178	3,792	18%
Facility Maintenance Cost	4,499	4,406	4,502	4,290	4,424	4,424	21%

Year	2006	2007	2008	2009	2010	2006 - 2010	
						5 Year Average	Ratio
Vessel Cost	542	532	782	677	703	647	3%
Labor Cost	6,600	6,364	6,759	6,616	6,654	6,599	31%
Operational and Administrative Cost	3,162	3,345	3,522	4,092	4,252	3,674	18%
Feed Cost	1,233	1,554	1,942	2,357	2,432	1,904	9%
Total	19,446	19,789	21,234	22,239	22,796	21,041	100%

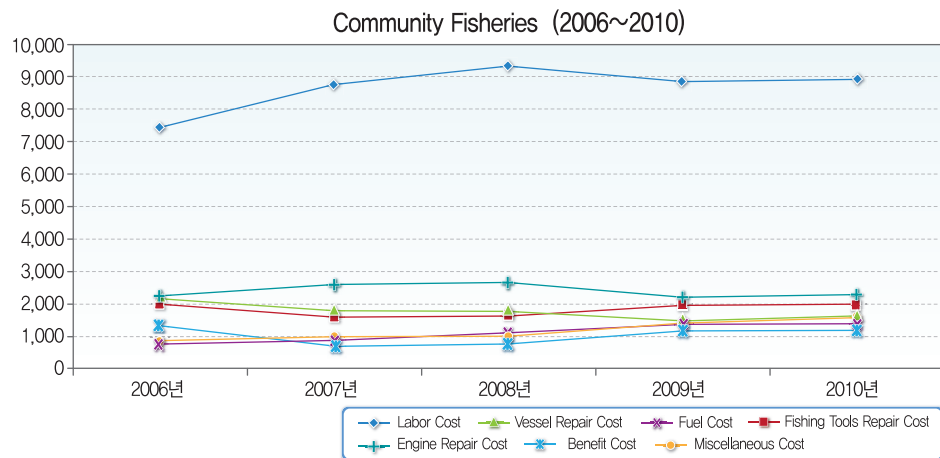


## 6) Community Fisheries

One fishing activity in community fisheries is converted from the standard area. Averaging the past 5 years, the expenses per fishing activity have been, in descending order: labor (48%), engine repair (10%), fuel (6%), benefits (6%) and miscellaneous expenses (7%), showing higher labor expenses, a characteristic of community fisheries.

(Unit : 1,000 won)

Year		2006	2007	2008	2009	2010	2006 - 2010	
							5 Year Average	Ratio
Vessel Repair Cost		2,237	1,779	1,818	1,651	1,685	1,834	10%
Engine Repair Cost		2,235	2,571	2,628	2,201	2,280	2,383	13%
Fishing Tools Repair Cost		2,068	1,638	1,674	1,898	1,918	1,839	10%
Labor Cost		7,450	8,783	9,328	8,870	8,923	8,671	48%
Benefit Cost		1,327	756	765	1,211	1,211	1,062	6%
Fuel Cost		729	860	1,137	1,481	1,491	1,140	6%
Miscellaneous Cost	Materials Cost	451	485	518	607	626	537	3%
	Ice and Fish Box Cost	0	0	0	37	38	15	1%
	Food Cost	375	460	475	722	773	561	3%
Total		16,872	17,332	18,343	18,928	19,242	18,042	100%

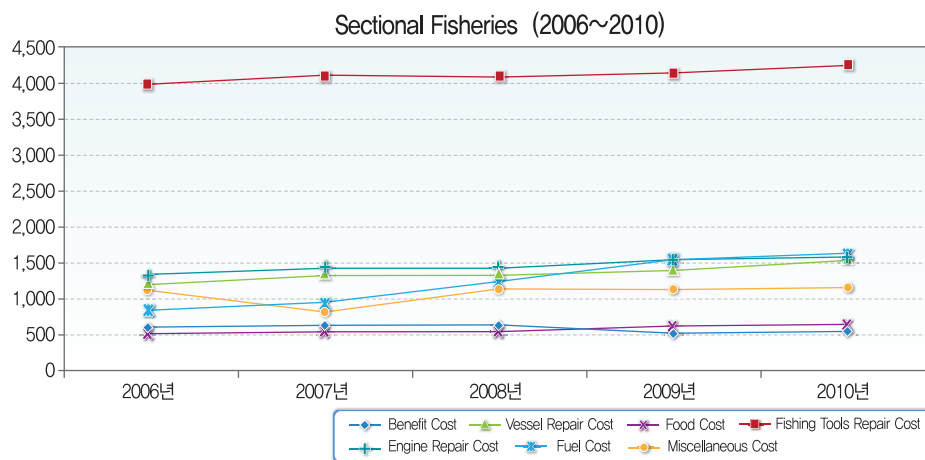


## 7) Sectional Fisheries

One fishing activity in sectional fisheries represents one administrative case. Averaging the past 5 years, the expenses per fishing activity have been, in descending order: fishing tools repair (39%), engine repair (14%), vessel repair (13%), fuel (12%), benefits (6%), labor (5%) and miscellaneous expenses (11%), showing the greatest percentage of fishing tools repair expenses, relative to other types of fisheries.

(Unit : 1,000 won)

Year		2006	2007	2008	2009	2010	2006 - 2010	
							5 Year Average	Ratio
Vessel Repair Cost		1,245	1,360	1,360	1,405	1,557	1,385	13%
Engine Repair Cost		1,299	1,418	1,418	1,531	1,570	1,447	14%
Fishing Tools Repair Cost		3,965	4,095	4,095	4,154	4,257	4,113	39%
Labor Cost		786	233	568	435	438	492	5%
Benefit Cost		598	613	613	532	548	581	6%
Fuel Cost		851	934	1,235	1,564	1,593	1,235	12%
Miscellaneous Cost	Materials Cost	516	566	566	569	587	561	5%
	Ice and Fish Box Cost	56	58	58	157	161	98	1%
	Food Cost	528	558	558	599	639	576	5%
Total		9,843	9,834	10,472	11,079	11,489	10,489	100%



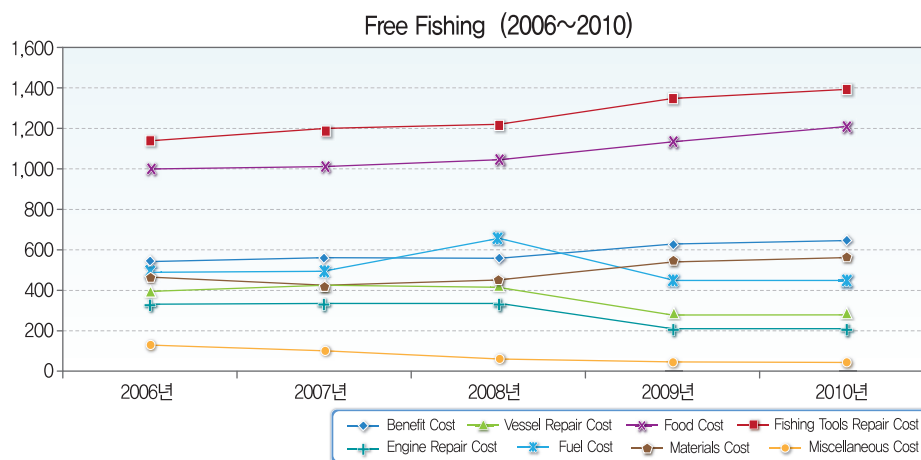
## 8) Free Fishing

One fishing activity in sectional fisheries represents one administrative case. Averaging the past 5 years, the expenses per fishing activity have been, in descending order: fishing tools repair (27%), food (23%), benefits (13%), fuel (11%), materials (10%), vessel repair (8%), engine repair (6%), ice and fish boxes (2%), showing the greatest percentage of food expenses, relative to other types of fisheries.

(Unit : 1,000 won)

Year	2006	2007	2008	2009	2010	2006 - 2010	
						5 Year Average	Ratio
Vessel Repair Cost	394	423	432	283	292	365	8%
Engine Repair Cost	322	328	335	203	210	280	6%
Fishing Tools Repair Cost	1,145	1,193	1,219	1,350	1,392	1,260	27%
Benefit Cost	552	557	564	622	642	587	13%
Fuel Cost	497	497	657	447	458	511	11%
Materials Cost	466	421	450	557	575	494	10%
Ice and Fish Box Cost	136	111	66	47	48	81	2%

Year	2006	2007	2008	2009	2010	2006 - 2010	
						5 Year Average	Ratio
Food Cost	1,005	1,015	1,049	1,132	1,206	1,081	23%
Total	4,517	4,544	4,771	4,642	4,824	4,659	100%



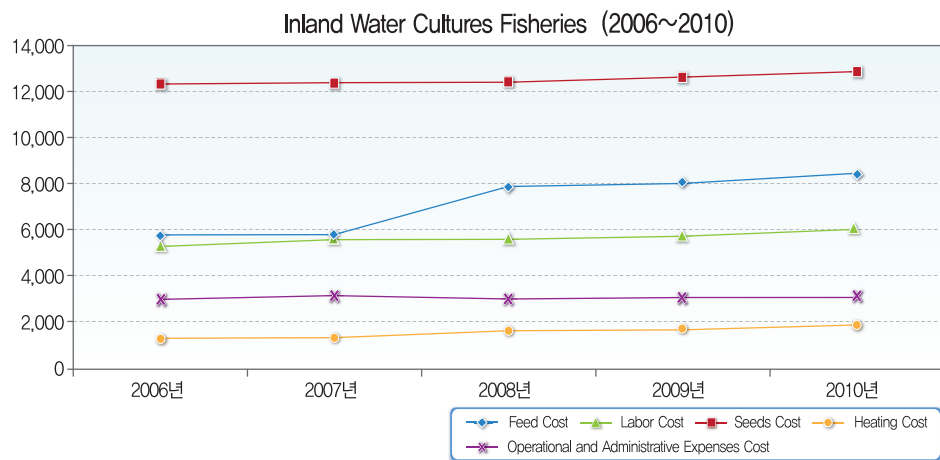
## 9) Inland Water Cultured Fisheries

One fishing activity in sectional fisheries is converted from the standard area per seed. Averaging the past 5 years, the expenses per fishing activity have been, in descending order: seeds (42%), feed (24%), labor (19%), operational and administrative expenses (10%) and heating (5%).

※Excluding inland water fisheries

(Unit : 1,000 won)

Year	2006	2007	2008	2009	2010	2006 - 2010	
						5 Year Average	Ratio
Seeds Cost	12,344	12,388	12,445	12,627	12,927	12,546	42%
Heating Cost	1,272	1,325	1,648	1,715	1,831	1,558	5%
Labor Cost	5,269	5,646	5,642	5,781	6,101	5,688	19%
Operational and Administrative Cost	2,994	3,137	3,002	3,095	3,238	3,093	10%
Feed Cost	5,742	5,806	7,883	8,060	8,382	7,174	24%
Total	27,621	28,302	30,620	31,278	32,479	30,060	100%







# 12

Fishermen Education Culture Welfare  
Foundation(FECWF)

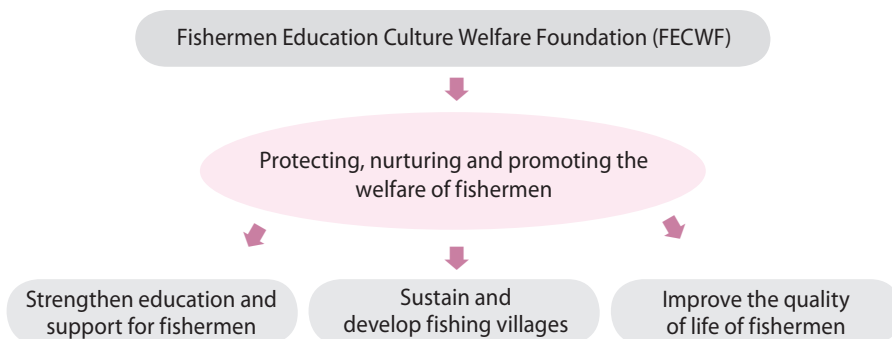
1. Founding and Purpose
2. Operations
3. Fundraising
4. Service Programs

# Fishermen Education Culture Welfare Foundation (FECWF)

## 1. Founding and Purpose

### A. Purpose

The Fishermen Education Culture Welfare Foundation (FECWF) was established on September 10, 2009, after approval from the Ministry for Food, Agriculture, Forestry and Fisheries (MFAFF) on August 26, 2009. Its purpose is to strengthen education and support for fishermen, to sustain and develop fishing villages, to improve the quality of life for fishermen, and to carry out projects to protect and nurture fishermen and promote their welfare.



<Signboard Hanging Ceremony of the Fishermen Education Culture Welfare Foundation (FECWF) >



### B. Significance

#### 1) The very first foundation exclusively for the welfare of fishermen

It was very meaningful to witness the establishment of the FECWF, as it is the only organization exclusively for the welfare of fishermen. Before the FECWF, the KNFC and other fishery-related organizations had provided fragmented support for fishermen

and results were modest. In this context it was really meaningful that the FECWF played a pivotal role in integrating the scattered efforts. And now support services for fishermen by the FECWF have created greater synergies than ever before.

## 2) Fruitful efforts of the fisheries communities to help themselves

The FECWF was created by the fisheries communities, including the MIFAFF, the KNFC, and fishermen themselves without outside assistance. Generally, foundations are established and operated for CRS activities by large companies with huge financial resources. However, the FECWF was established with financial resources from inside the communities as the KNFC made contributions and employees donated parts of their salaries. Creation of the FECWF was founded on the effort of fisheries communities and fishermen to survive without outside assistance.

## 3) Fulfillment of the government's ordinary-people-friendly policy through the non-profit sector (the third sector)

The Korean government has implemented ordinary-people-friendly policies based on a centrist pragmatism under the slogan "providing help for low-income families and building up the middle class." Fishermen, people reduced to the lowest income brackets in Korea, are undoubtedly beneficiaries of these government policies. But it was almost impossible to meet the entire needs of fishermen solely through government efforts. It is the role of the non-profit sector (the third sector) to provide support in various sensitive areas where the government's hand cannot reach. Against this backdrop, it is fair to say that the FECWF closely cooperates with and supplements government efforts to effect policies for lower income households.

## 2. Operations

### A. General

The FECWF is a public-service corporation organized under the Act on the Establishment and Operation of Public-Service Corporations, designated a donation recipient organization by the Ministry of Strategy and Finance, and registers its donations with the Ministry of Public Administration and Security. It is operated with contributions from the KNFC, special funds from the KRA (Korea Racing Authority) and donations from enterprises, people and other related organizations.

### B. Assets

As of the end of December 2010, total assets of the FECWF stood at 3.180 billion won (KRW), including basic assets of 1.779 billion won and ordinary assets of 1.401 billion KRW. Total assets had increased by 1.465 billion won over 1.715 billion won, since September

10, 2009, when it was established with additional contributions from the KNFC and other fund-raising sources. The details of the increase are as follows.

- November 17, 2009 : 6.4 million won contributed by the KNFC
- December 31, 2009 : 60.3 million won collected from KNFC employee salary contributions
- 2010 : 45.9 million won contributed by the KNFC
- 33.9 million won raised through donations and fund-raising

### 3. Fundraising

As of December 31, 2010, the FECWF had raised funds of 235,529,422 won, after it registered with the MOPAS on March 3, 2010, to collect donations; it was designated as a donation recipient organization on December 31, 2009.

Donations are classified into two categories: (a) cash donations through bank account wire transfers and personal visits; and (b) donations through credit card points (1 point = 1 won). Cash donations totaled 232,123,820 won (356 donations) and credit card points donations totaled 3,405,602 won (82 donations). KNFC employees and in-house private clubs donated 62,964,124 won; employees and corporations of member cooperatives, fishing village fraternities and consultative groups donated 76,833,586 won; and other companies, groups and individuals donated 95,731,712 won.

< Contributions by Donor Types >

(unit : won)

Donor	Contributions	Remarks
KNFC	62,964,124	employees, private groups, etc.
Member cooperatives	76,833,586	corporations, individuals, fishing village fraternities, consultative groups, etc.
Others	95,731,712	corporations, groups, individuals, etc.
Total	235,529,422	

## 4. Service Programs

As the only organization exclusively for the welfare of fishermen, the FECWF has conducted various activities in 2010 to improve the quality of life for fishermen and development of fishing villages. The activities were as follows.

### A. Proactive PR activities

The FECWF is fully engaged in PR activities targeting individuals and enterprises. It publishes promotional materials, such as posters, pamphlets, booklets, bookmarks and memo notes, and provides them to the KNFC and the branch offices of member cooperatives throughout the country. These materials were distributed to individuals who took part in the anniversary of KNFC's founding, international symposiums, the Busan International Seafood & Fishery EXPO 2011, big catch festivals and other events promoting seafood. Promotional letters were sent to more than 1,000 board chairs of companies and fishery-related organizations. In particular, a PR campaign at the Noryangjin Fisheries Wholesale Market was conducted targeting merchants and individuals in Seoul to promote the objectives of the FECWF and its major projects, to raise awareness of the importance of donating, and to solicit participation.

< PR campaign at Noryangjin Fisheries Wholesale Market >





## B. Customized support projects

First project. The Business Leadership Seminar for Fishermen was held twice at the KNFC training institute to teach the basic skills fishermen should have as business managers. This was organized and funded by the FECWF with its own financial resources.

< The Business Leadership Seminar for Fishermen >

	Education Fields	
Classroom Instruction		
Practical Training		

Second project. Under Article 42 of the Korea Racing Association Act and Article 23 of the Enforcement Decree of the Korea Racing Association (KRA), the FECWF was provided by MIFAFF with special funds from the KRA to install broadcast receivers at 9 consignment markets nationwide to give fishermen to access information, such as fishing conditions, temperatures of inshore and coastal areas, and current market prices.

Furthermore, the FECWF covered medical expenses for dentures, dental prostheses and hip replacements for 323 fishermen who lacked access to medical services for geographic and/or economic reasons. The FECWF also provided mobile medical services, following the conclusion of agreement with medical institutions, in 6 regions to 910 fishermen who had difficulties traveling to hospitals.

## &lt; Medical Services for Fishing Households &gt;

Region	Medical Agreements & Volunteer Work
Seosan	 
Samcheonpo	 
Gyeonggi Province (West Coast)	 

## C. Efforts to mobilize resources

As of the end of 2010, the FECWF has donated 23.6 million won as a result of proactive PR and fund-raising activities targeting individuals and enterprises, after it was registered to collect donations.

The FECWF reached an agreement with Suhyub Bank to start the Suhyub Credit Card Points Donation program, which is equivalent to cash; and the Fresh Donation program, a donation product people can purchase as gifts to celebrate promotions or birthdays, by donating under the recipient's name.

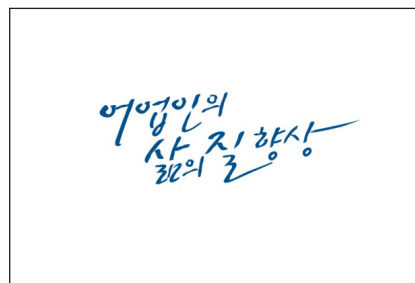
The FECWF also introduced the donation product, "Together 1%", a monthly or annual

donation of 1% of income to make it easier for employees, small business owners and companies to contribute. With all these activities, the FECWF has continued its all-out effort to spread a culture of donation among fishermen. And finally, the FECWF has outsourced research to the Korea Institute for Health and Social Affairs to identify reliable ways to mobilize additional resources, such as ministerial budgets and other special KRA funds.

< Promotional Logo of the Fishermen Education, Culture and Welfare Foundation (FECWF) >



Donation is Love



Improving the Quality of Life





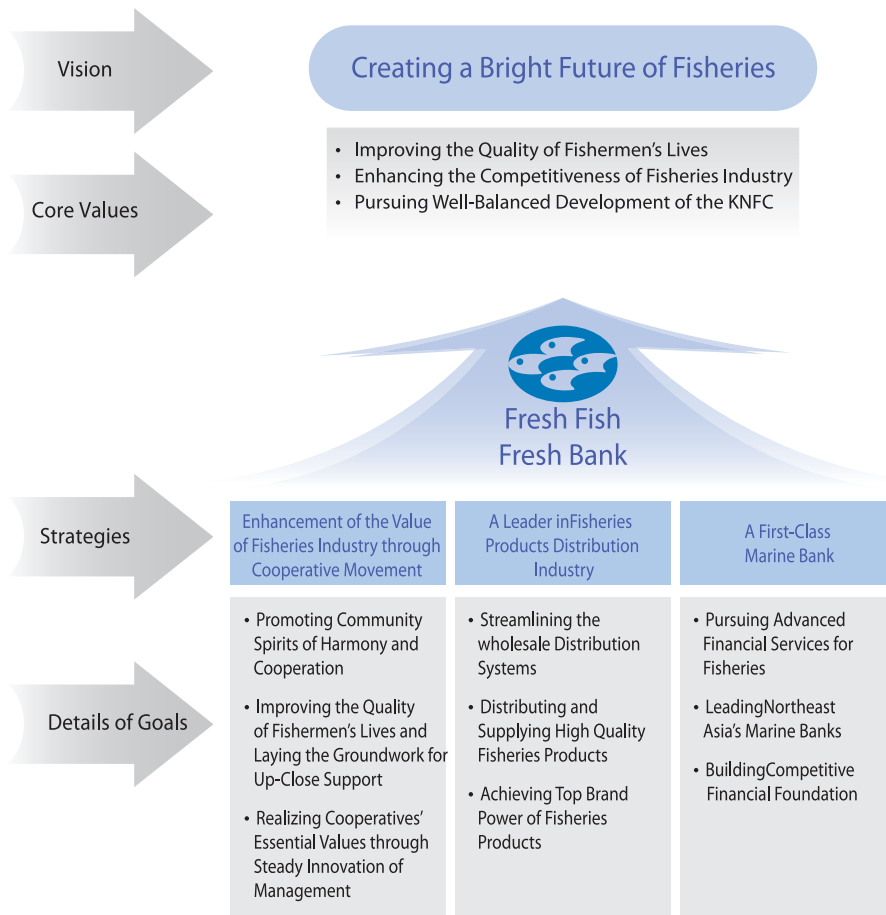
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Supplement : About Fisheries Cooperatives in Korea

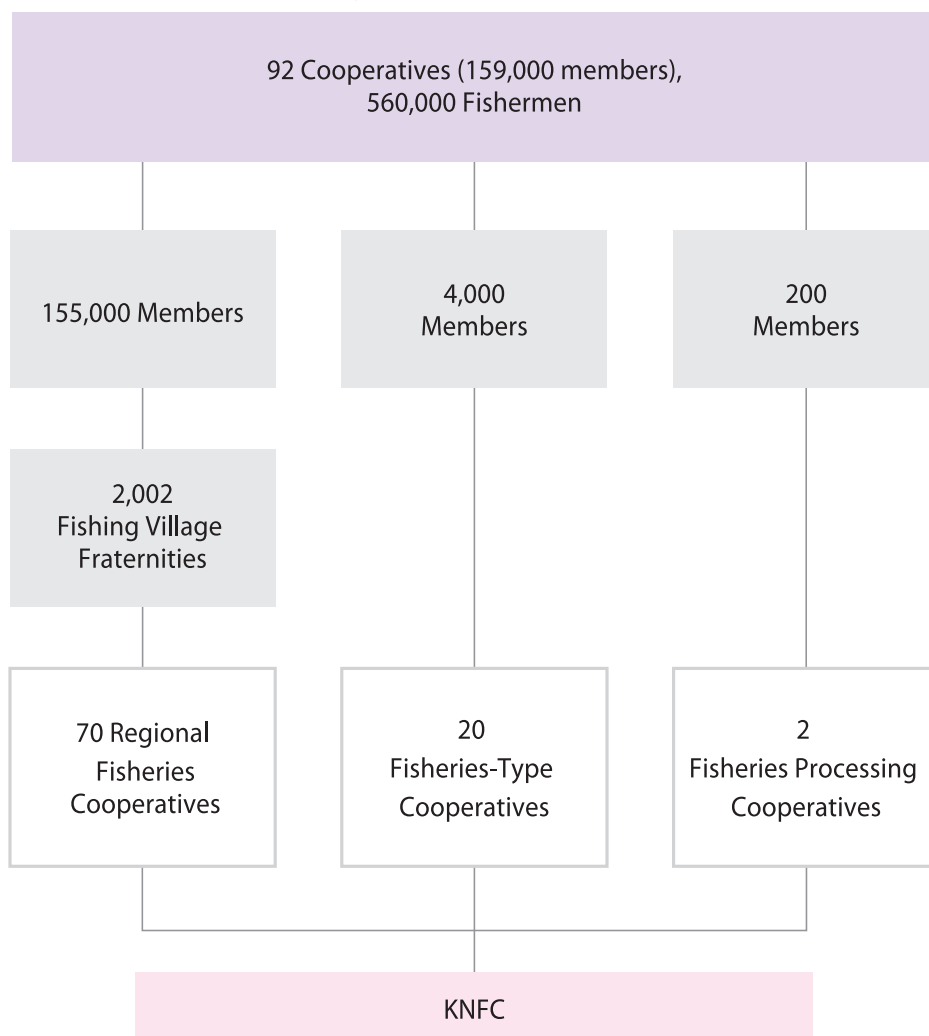
## Supplement : About Fisheries Cooperatives in Korea

### < History, Duties and Functions >

- 1962. 1. 20 The Fisheries Cooperative Act enacted
- 1962. 4. 1 The KNFC and member cooperatives concurrently established
- 1963. 5. 1 Began loan business
- 1965. 5. 1 Began direct distribution of fisheries fuels
- 1969. 4. 1 Began deposit services
- 1974. 6. 10 Began mutual credit services
- 1979. 3. 1 Joined the International Cooperative Alliance (ICA)
- 1984. 5. 1 Began on-line services
- 1988. 2. 29 Began the trust business
- 1990. 8. 21 The KNFC President elected by popular vote for the first time
- 1991. 10. 1 Began credit card business
- 1993. 10. 18 Moved to the *Jamshil Building*
- 1999. 3. 12 *Oibalsan-dong* Joint Fishery Products Market opened
- 2000. 7. 1 Implemented an independent business sector system
- 2000. 11. 29 Appointed Two CEOs of Marketing & Supply and Banking Business
- 2001. 4. 26 and 2001. 12. 31 Government funds supplied to the KNFC banking business sector
- 2002. 1. 31 Acquisition of the *Noryangjin* Fisheries Wholesale Market finalized
- 2007. 12. 31 Achieved 113.1 billion won in net profits
- 2008. 12. 31 Mutual credit deposits topped 10 trillion won
- 2009. 9. 10 Established The Fishermen Education, Culture and Welfare Foundation (FECWF)
- 2009. 11. 16 Selected as the chair of the ICA Fisheries Committee
- 2009. 12. 4 Mutual credit savings deposits topped 12 trillion won; loans topped 8 trillion won
- 2009. 12. 31 Premium reached 592.3 billion won
- 2010. 4. 1 Fisheries Broadcasting Station opened
- 2010. 12. 31 Premium reached 767.5 billion won



## Organizational Structure



## &lt; Duties &gt;

Support fishing community wealth through democratic cooperative systems  
 Improve fishermen's economic and social standings  
 Improve fisheries productivity and fishing household incomes

## < Functions >

### The KNFC Business

#### • Guidance Services

To expeditiously build a brighter future for fishing communities, the KNFC strives to actively support businesses, to raise the incomes of fishing villages, to protect and develop fisheries resources, to provide guidance for safe fishing, and to inspire community spirit among fishermen through public relations and training activities.

- Providing guidance and protection for fishing activities and fisheries communications systems;
- Policy-making, inquiries and public relations activities relevant to fisheries;
- Building organizational structures and training members;
- Cooperative insurance business (loss insurance and life insurance);
- Mutual credit business.

#### • Economic Support Systems

The KNFC makes efforts to raise the value of Korean fisheries products and to extend markets throughout the distribution process, such as government purchases, processing and sales. In addition, the KNFC implements procurement and services in support of government policy, and contributes to the mutual benefit of producers and consumers. The KNFC also supports fisheries production by supplying tax-exempt fisheries fuels, fishing equipment, tools and materials.

- Joint sales of fishery products and price support programs;
- Fishery products manufacturing, use and processing business;
- Supply of fishing equipment, fishing materials, and tax-exempt fuels.

#### • The Banking Business

The KNFC implements various financial services in timely manner to raise financial resources for the support of fisheries funds necessary for fishing activities. Moreover, the KNFC strives to be a first-rate marine bank, growing with customers through outstanding marine financial services and taking the role of a cooperative bank.

- Raising financial resources for fisheries funds;
- Providing economic support funds;
- Trusts, securities, foreign exchange and credit card businesses.

### The KNFC, Past and Present

It has been 49 years since the KNFC was established as a fisheries cooperative. As the Fisheries Cooperative Act (Act No. 1013) was enacted and promulgated in January 1962, and the its enforcement ordinance was promulgated in March the same year, old fisheries

organizations were dissolved and the historic establishment of the KNFC began on April 1, 1962.

The KNFC has been striving to be reborn as the leading cooperative of the 21<sup>st</sup> century by enhancing its competitiveness and building active fishing communities. Although the KNFC has weathered crises, such as receiving governmental funds for a short time in 2001, it has achieved rapid development. Its mutual credit deposits topped 12 trillion won and loans reached 8 trillion won in 2009. It also achieved 767.5 billion won in premium in 2010. Furthermore, Korea was appointed as the chair nation of the ICA (International Cooperative Alliance), raising the status of the KNFC in the world. The KNFC is expanding various services, such as opening the Fisheries Broadcast Station, providing medical services to fishing communities through the Fishermen Education, Culture and Welfare Foundation (FECWF), becoming a cooperative for fishermen.

The KNFC, with its all employees, plans to put forth its best efforts for the development of fishermen and the Korean fishery industry, and become the true representative of fishermen.

#### < 1960s–The Beginning >

Established as an organization to drive fisheries development, the KNFC focused mainly on building its organizational structure and business base in the 1960s, as well as establishing the foundations for developing primitive fishing communities and restructuring fisheries production.

In the beginning (1962), the KNFC consisted of 102 member cooperatives, including 88 regional cooperatives, 12 fishing-type cooperatives, 2 manufacturing cooperatives, and the Federation. The KNFC unified the variety of *gyes* that existed throughout fishing villages into the structures of the KNFC and reorganized them into fisheries cooperatives. The KNFC used these cooperatives as the base camps of the KNFC movement, and at the same time put them in charge of managing mutual fishing rights, attempting to build the cooperative production of coastal fisheries.

In the early days (from 1967), the KNFC actively undertook fisheries development projects, including opening consignment sales markets, handling a variety of funds for fisheries, and began direct supply of fuels, and started to prove its business efficiency.

As reparations from Japan were invested in the fisheries sector at this time, the KNFC became more active and could afford a variety of fisheries facilities and larger vessels, building the foundations for record-breaking growth rates in the fisheries economy after the late 1960s.

From the early 1960s, the KNFC completed building its systems as a fisheries financial institution to increase business efficiency and self-management, and led a campaign to raise 10 billion won in funds through the Five-Year Plan. The KNFC also pushed for reform of the Fisheries Cooperative Act and other relevant statutes and the restructuring of its organization, in order to correct systemic inconsistencies revealed during the campaigns and to build effective systems. Through the restructuring of the then 126 cooperatives, poorly managed cooperatives were merged according to administrative districts or economic regions, leaving 88 cooperatives.

### < 1970s–Growth >

The Korean economy achieved remarkable growth, averaging 8 percent annually, for the decade from 1962 to 1972, due to the success of the economic development plan. The fisheries economy showed an even higher growth rate, averaging 11.5 percent annual growth.

Due to the economic growth and changes in economic environment of the early 1970s, the KNFC focused its energies on the *Saemaul* Movement in fishing communities and stable fisheries management projects. The KNFC movement had similar ideology and goals with the government-driven *Saemaul* Movement in the early 1970s: diligence, self-sufficiency and collaboration as ideology; increased income, environment improvement and spiritual improvement as goals. Thus, the KNFC established the *Saemaul* Movement as its primary business goal, efficiently implementing it in fishing communities, based on the organizational power of 1,500 fishing village cooperatives and the collaboration of their members.

As a result, the *Saemaul* Movement in fishing communities succeeded in raising fishing community incomes and improving their environment; this became an opportunity for fishing village cooperatives to develop and the KNFC reached a mature stage.

As the Oil Shock of 1973 nearly dealt the fisheries industry a fatal blow, the KNFC shifted its business goals from growth to the stability of the fisheries business. The KNFC efficiently supplied fisheries funds and a variety of materials for fisheries production, developed fisheries price support programs and developed the trade business in order to support the stability of fishermen's households and to increase their incomes. It also steadily pursued multiple businesses, such as opening inland fishery products markets in major consuming cities nationwide. Later, affected by another world economic depression due to the 2<sup>nd</sup> Oil Shock which began in late 1979, the overall Korean economy faced recession. As a result, the KNFC faced very difficult situations, such as the slow export trade of fisheries and sluggish growth in fishermen's household incomes.

The KFCN was admitted into the ICA, by unanimous vote at the ICA Administrative Committee Meeting held in London on March 1, 1979, establishing its international status.

### < 1980s - Stability >

The KFCN, which reached its peak in the 1980s, firmly established its status as a comprehensive cooperative system that supports fishermen's lives and the fisheries business by strongly driving a variety of businesses to increase fishermen's incomes and enhancing the quality of their lives.

Starting in the early 1980s, production at a few coastal fisheries declined, and cultured fisheries products experienced losses due to pollution in coastal fisheries. The KNFC devised and pursued multiple progressive annual support plans to help those fishermen engaged in coastal fisheries.

In addition, the KNFC founded the Business Improvement Committee on September 1, 1983, and progressively pursued new KNFC campaigns to revitalize cooperatives. In the mid-1980s, the KNFC expanded the scale of business and sought to improve internal



stability, pushing forward the goal of “Protecting Fishermen’s Rights and Interests and Building a Bright Future for Fishing Communities,” and striving to establish a “Model of a Trusted, Community-Serving KNFC.”

In particular, the KNFC improved its international standing and achieved the globalization of the KNFC movement by being elected Vice Chair at a meeting of the ICA Fisheries Committee, held in Stockholm, Sweden, in July 1988.

#### < 1990s - Restoration >

The KNFC in the 1990s sought to democratize the KNFC. It steadily restructured itself so that the Federation and 9 branches, 89 member cooperatives and 1,780 fishing village cooperatives were re-organized, establishing a system to better serve fishermen.

The newly democratic and self-managed KNFC had a direct election system to elect the presidents of cooperatives, as prescribed by the new Fisheries Cooperative Act, revised on December 31, 1988. In 1990, the KNFC President was elected by the presidents of cooperatives, who themselves were elected by popular votes, opening up a new chapter for the KNFC under democratic control.

In addition, the KNFC developed the “3 Trillion Won Self-Raised Funds Movement” on December 4, 1990, pushed this Three-Year Plan forward for 1993, and achieved this goal a year early in 1992.

In 1993, the KNFC pursued a Two-Phased, “Big Jump” campaign and achieved remarkable growth in both quantity and quality. With respect to the fisheries funds supply, there were a 100 billion won annual increases since 1995, topping one trillion won (1.08 trillion won) for the first time in KNFC’s history.

The new KNFC Building (17 stories above ground, 5 stories underground) was also completed in Shinchun-dong in 1993, starting the *Jamshil* Building years.

The KNFC devised and implemented survival and management reform strategies for the economic and credit sectors, starting November 1995; the “10 Trillion Won Self-Raised Funds Movement”; and the 3 year “KNFC New Wave Movement” (1996); raising 10.9 trillion won funds on its own.

However, an unexpected financial crisis (the IMF years) occurred in 1998 and the KNFC underwent restructuring and suffered from changes in the financial environment until the end of the 1990s.

#### < 2000s – Crises and Reformation >

In the 2000s, the KNFC faced an era of change and reformation, and experienced unprecedented crises.

Since IMF years, the financial industry experienced rapid changes, such as tightened financial standards, and the KNFC continued to reform and change itself to survive difficult situations, such as the inevitably business declines, and received government funds.

In 2001, the KNFC received government funds twice, totaling 1.2 trillion won, and because of this, its banking business sector unfortunately entered into an MOU with the



government. However, with the “New Start 180 Movement” (2001), the KNFC successfully implemented annual business reforms, eventually achieving business success. The KNFC pursued annual campaigns to turn its business around.

Concurrently, the KNFC mutual credit business achieved an unprecedented 12 trillion won in savings deposits and 8 billion won in loan in 2009, through the “POWER START 1410” and “DYNAMIC RUN 1410” campaigns that followed “2006 NEW I.D.E.A” (2006) and “2007 FRESH V.I.E.W.” (2007).

The KNFC cooperative insurance business also grew annually through business innovation. From the “Big Jump” (2001) to “Let’s WIN TOGETHER 2010” (2010), the KNFC’s executives and employees had devoted much effort. As a result, cooperative insurance sales showed record-breaking growth: premiums topped 382 billion won in 2008, and 767.5 billion won in 2010, achieving an increase of 385.5 billion won.

The KNFC also acquired The *Noryangjin* Fisheries Market at the end of January 2001, getting a step closer to reforming the distribution of fisheries. With the acquisition of the *Noryangjin* Fisheries Market, the KNFC ensures stability in the distribution of fisheries products, balancing the *Noryangjin* Fisheries Market’s supply and price stabilization functions for both fishermen as producers and for citizens as consumers.

#### < 2010s – A New Start >

2010 has been very meaningful for the KNFC. The “Seoul Declaration”, stating the roles of cooperatives for a sustainable fisheries industry, was adopted at a symposium of the ICA Fisheries Committee with the world-wide support fisheries cooperatives. Also, June 16<sup>th</sup> each year was designated World Fisheries Cooperatives Day.

Moreover, the KNFC opened the Fisheries Broadcast Station. The station provides a variety of information relevant to fisheries to fishermen nationwide, so that fishermen can engage in production more conveniently. The KNFC also established the Fishermen Education, Culture and Welfare Foundation (FECWF) and provides various educational and cultural services for fishermen who have not otherwise benefitted from welfare.

Furthermore, the KNFC got a step closer to the KNFC ideal for fishermen, by unifying its guidance and economic support functions, which had been separate for 10 years, since the receipt of government funds, and reforming its systems to provide support for fishermen more efficiently.

Celebrating its 49<sup>th</sup> anniversary in 2011, the KNFC will be reborn as an effective and professional fishermen’s cooperative system, through continuous self-innovation and reformation.

Keeping up with the 21<sup>st</sup> century, the KNFC will fulfill its core duties and functions through continuously developments in the fisheries industry and taking new roles in the national economy.

### The KNFC's Major Indexes over 49 Years

#### ● Comprehensive Business Growth (billion won)

Year	1962	1970	1980	1990	1995	2000	2004	2007	2009	2010
Total	2.3	82.8	1,296.1	6,143.1	10,344.0	18,079.7	21,004.5	27,668.1	32,629.0	34,360.7
KNFC	1.8	47.5	764.9	3,286.7	4,340.3	7,188.7	11,183.0	16,483.6	19,135.0	19,535.4
Member Cooperatives	0.5	35.3	531.2	2,856.4	6,003.7	10,891.0	9,821.5	11,184.5	13,494.0	14,825.3

#### ● Nationwide Member Cooperatives

Year	1962	1970	1980	1985	1995	2000	2002	2004	2007	2009	2010
Total	102	126	86	72	83	87	98	95	94	93	92
Regional	88	105	69	56	66	66	75	73	72	71	70
Types of Fisheries	12	18	15	14	15	19	21	20	20	20	20
Fish Processing	2	3	2	2	2	2	2	2	2	2	2

※The years with the largest number of regional cooperatives : 1969-1970  
(105 regional cooperatives)

The years with the least number of regional cooperatives : 1982-1986  
(56 regional cooperatives)

#### ● Nationwide Fishing Village Fraternities

Year	1962	1970	1980	1991	1996	2000	2003	2007	2009	2010
Total	1786	2236	1440	1607	1719	1788	1918	1972	1978	2002
Individual	1786	2236	1395	1582	1698	1769	1918	1972	1978	2002
Incorporated	-	-	45	25	21	19	-	-	-	-

※The years of the largest number of Fishing Village Cooperatives : 1972 (2,258 cooperatives)

Incorporated Fishing Village Cooperatives were founded in 1977 (17 cooperatives), reaching 45 cooperatives (1979–1981).

## ● Member Fishermen

Year	1962	1970	1980	1990	2000	2003	2007	2009	2010
Number of Member Fishermen	63,540	101,051	124,461	157,314	164,315	170,540	166,265	167,869	158,705

## ● Fishery Funds Supplied (billion won)

Year	1962	1970	1980	1990	2000	2004	2007	2009	2010
Amount	0.02	3.1	120	600	1,205	1,405	1,505	1,905	1,905

## ● Banking Branches

Year		1968	1969	1974	1980	1993	1997	2000	2004	2007	2010
Total		3	13	121	227	544	635	585	500	510	521
General Banking	KNFC	-	9	12	24	92	131	110	95	108	109
	Cooperatives	3	4	42	82	56	52	-	-	-	-
Mutual Credit		-	-	67	121	396	452	475	394	402	412

## ● Tax-Exempted Fuel Delivered (1,000 D/M, billion won)

Year	1965	1975	1985	1996	2000	2002	2004	2007	2009	2010
Quantities	208	1,626	3,034	6,896	7,628	7,738	7,007	6,186	5,488	5,369
Amount	28.2	1,378.6	12,535.2	32,359.8	44,355.9	43,512.0	52,878.7	64,068.8	65,414.7	75,403.2

● Cooperative Insurance Business Growth (contracted, pre-2001; premiums, post-2001)  
(billion won)

Year	1962	1970	1980	1985	1995	2000	2004	2007	2009	2010
Total	0.76	17.3	260.4	725.7	4,685.2	8,046.8	253.4	294.1	592.3	767.5
Loss	0.76	17.1	239.0	652.7	4,051.0	6,130.9	18.6	11.8	33.1	42.9
Life	-	0.2	21.4	73.0	634.2	1,915.9	234.8	282.3	559.2	724.6

※ Since 2004, fisheries policy insurance was separated from loss insurance.

● Fishing Population and Fishing Households (1,000 persons; 1,000 households)

Year	1962	1970	1980	1990	2000	2005	2007	2009	2010
Total Population	26,513	32,241	38,124	42,869	47,008	48,138	48,456	48,747	48,875
Fishing Population	1094 (4.1%)	1165 (3.6%)	844 (2.2%)	496 (1.2%)	251 (0.53%)	221 (0.46%)	202 (0.41%)	183 (0.37%)	171 (0.35%)
Number of Fishing Households	195	195	157	121	82	80	74	69	66

※Data Source: The National Statistical Office

## Veritas Interpretation & Translation Center

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English Brochure of National Fisheries Research & Development  
2007 Report on Jeonnam Marine Ranch  
A Study on Korea– USA Shellfish Sanitary Inspection  
A book on Fisheries Industry Status Report  
KOPEC, Malaysia Plant bidding documents

### Translated by Lee Kyung Jin

Special Act on the Management of Public Funds  
Enforcement Decree of the Act on the Fund for Repayment of Public Funds  
Enforcement Decree of the Specialized Credit Finance Business Act  
Credit Unions Act  
Act on the Fund for Repayment of Public Funds

### Translated by Jung Hae Jin

2009 the 6th Western and Central Pacific Fisheries Commission  
– annual meeting interpretation

2008 the 4th Western and Central Pacific Fisheries Commission  
– Technical and Compliance Committee interpretation

2008 the 5th Western and Central Pacific Fisheries Commission  
– annual meeting interpretation – annual meeting interpretation, Busan

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