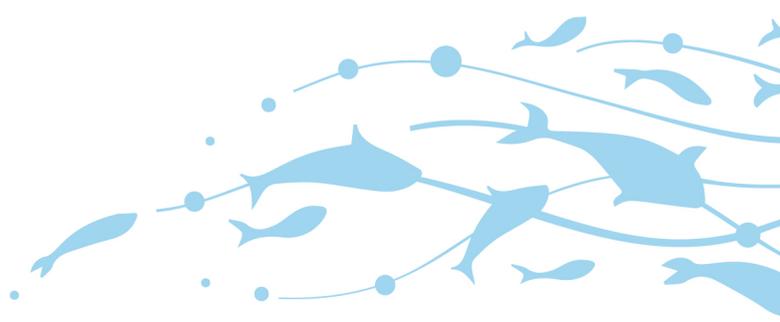


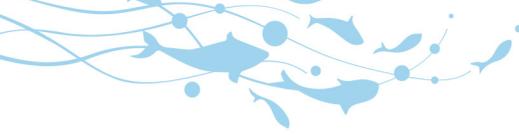
1962 — 2022

National Federation of
Fisheries Cooperatives

The Fisheries Cooperatives in Korea

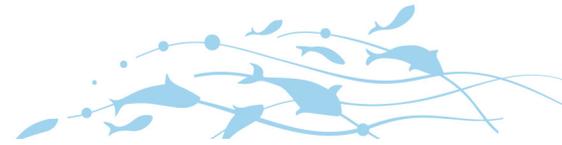


**International Co-operative
Fisheries Organisation (ICFO)**
A Sector of the International
Co-operative Alliance



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Chapter 1

Education and Support Service

1962

2022

Section 1.

Significance of Education and Support Service

1. History of education and support service of cooperatives

The 'function' of an organization is an essential role to achieve the purpose of the organization itself. It is a mandate that should be performed to achieve the purpose of the organization. Therefore, if an organization does not function well, the organization loses its identity and as a result, it becomes a target of criticism in society.

Similarly, a cooperative is an organization with the basic purpose of improving economic benefits of members and promoting their social rights. To achieve the purpose, economic projects and non-economic projects are required as basic activities. The former is called an economic function and the latter is called a non-economic function. The combination of the two functions is the basic function of a cooperative.

Therefore, the characteristics that differentiate a cooperative from other economic or social organizations are that a cooperative is a comprehensive organization that performs economic and non-economic functions in an integrated manner. ICA(International Cooperative Alliance) recommends that all cooperatives recognize the non-economic functions not as an additional function but as a unique function of a cooperative and execute the non-economic function. The representative activities of the non-economic function are education and support services and it is the historical function of a cooperative such as the Rochdale Society of Equitable Pioneers, which is the beginning of the modern cooperatives, introduced the non-economic functions as essential business.

2. Significance of education and support service of Suhyup

Education and support service is a unique business of Suhyup that has been conducted from the early days after foundation to present. Education and support services includes training for fishermen, cooperative members and employees of Suhyup, guidance to nurture cooperatives and fishing villages, guidance for fishing skills including fishing operation and aquaculture, activities to manage fishing rights, fishing villages development project, fishing operation safety guidance, survey and research and activities related to fishing operation. The execution non-profit activities such as education and guidance project, which are non-economic functions, as its unique function is justified for the following reasons.

First, continuous education and enlightenment activities through fishermen and cooperative members are required to spread the Suhyup movement.

Second, public organizations like Suhyup have to play a leading role in innovating and spreading technologies given the characteristics of fisheries technologies that require the conversion of a high level of knowledge and science and technology.

Third, the preservation and management of fishing rights, which is the only basis for living in a fishing village, are the historical and unique functions of Suhyup.

Fourth, it is a natural extension for Suhyup to develop underdeveloped fishing villages to align the uniqueness and universality as Suhyup is based on fishing villages. The uniqueness of fishing villages refers to the production and supply of fishery products, preservation and expansion of fishing facilities and preservation and maintenance of the marine ecosystem and fishing culture. The universality of fishing villages is the concept of fulfilling the condition of fostering a local community where people can enjoy modern cultural and life.

Fifth, operation and management of communications facilities for fishing operations for safe fishing operation of fishermen and prevention of accidents on the sea are a public function that should be supported by the education and support services.

In addition, various non-economic activities such as survey and research activities for the fishery industry and fishermen's economy, activities to the government and National Assembly to promote the economic and social rights of cooperative members and cooperation with international organizations like ICA and FAO, should be supported by the education and guidance services of Suhyup.

The Suhyup Act defines education and support business as the first business in the type of business of cooperatives and NFFC in Article 138 in order to conduct education and support services. In addition, there is a compulsory provision that cooperatives and NFFC shall "carry over 20/100 or more of the surplus to the next fiscal year" to secure funds to conduct education and support activities.

This statement and intention are also incorporated in the articles of incorporation of the cooperatives and NFFC to provide institutional support for the education and support services of Suhyup.



Saemaeul project site in Igari fishing village in May, 1976



Training on cooperative movement, May, 2010 (Training center)

Section 2.

Achievements of the Past 50 Years

1. Overall analysis

Suhyup initiated education and a support project with KRW 5 million in NFFC and KRW 68 million in cooperatives in 1962 when Suhyup was founded. Initially, the education and support business focused on activities to strengthen organizations to nurture systemic organizations, training and guidance on production and cooperatives focused on training of members and management of fishing rights.

Recently, the education and support business has expanded significantly with international cooperation projects such as ICA activities and foreign crew introduction business and the expenditures on those projects has increased by 10,224 times for NFFC and 557.3 times for cooperatives.

A. 1960s

In the 1960s, the institutional foundation for the education and guidance services of Suhyup was established. NFFC established a fishing village planning department under the general affairs division and some cooperatives established a guidance section. The fishing village planning department of NFFC has been expanded to the fishing village guidance department in 1965 and the guidance division in 1966 and the guidance division has 3 departments: guidance, PR and fishery communications departments.

The major achievement of this period was to support the education and support business institutionally by creating an expense item for education and support projects earmarked as guidance project cost in the accounting title and accounting book of Suhyup in order to continue and rationalize the education and support activities.

Suhyup systemized initial titles of accounts and divided into 4 types: section, item, sub-section and details. Section is divided into 4 categories including credit business and education and support business is classified as section 4. Under the section, 11 expense items are established to provide institutional support for education and support activities.

According to the third Suhyup annual report (1964), the major 3 education and support services that started with the foundation of Suhyup was organizational enhancement projects, training projects and production guidance. In the second year of foundation, propaganda and scholarship were added and in 1965, operation of fishery radio station was added to promote safe fishing operation.

In 1967, 56 professional instructors were recruited for the first time since the foundation of Suhyup in order to carry out production guidance and they played the role of providing production guidance and spreading the Suhyup movement at fishing villages. Starting from 1968, Suhyup competition has been held every year as part of an organizational enhancement project to promote development of cooperatives.

B. 1970s

In the 1970s, the education and support service was combined with fishing village development projects under the Saemaeul movement, promoting the development of fishing villages and nurturing fishing village groups.

The Saemaeul movement spread very rapidly to communities under the slogan “let’s live well”, “we can do it” starting from rural areas. The movement emphasized the diligence, self-help and achievement for the public, which made a great achievement in modernizing farming and fishing villages.

The fishing village Saemaeul movement was first introduced in Suhyup education and guidance project in 1972 and it became the major business of Suhyup in 1973. Then president Park Jeong-hee started the Saemaeul movement, which has become a nationwide movement, the government established a long-term plan for the fishing village Saemaeul movement and made the NFFC play a leading role in executing the plan.

NFFC reshaped the organization to change the 'guidance department' to the 'Saemaeul department' in 1973 and the 'Saemaeul guidance department' in May 1975 in order to implement the fishing village Saemaeul movement under the government policy, and the fishing village Saemaeul movement implementation structure was established and led by the NFFC and followed by fishing villages.

As the areas of the fishing village Saemaeul movement of Suhyup was expanded to the fishing village income increase project, production base formation project, the fishing village environment improvement project and the Saemaeul spirit enlightenment movement, then the existing organization enhancement activities, production guidance and training projects were absorbed and integrated into the fishing village Saemaeul project. Accordingly, the professional fishing village instructor system of NFFC, which was implemented in 1967, was abolished and incorporated into the fishing village Saemaeul movement in 1972.

C. 1980s

The Fishing village Saemaeul project was at the center of Suhyup's education and support projects in the 1980s. What is noteworthy is the organization enhancement activities focusing on nurturing fishing village groups which are the actual project entity of the Saemaeul project in order to maximize the Fishing village Saemaeul project that has been promoted actively since 1970s.

In order to increase the independence level of fishing villages, NFFC reorganized weak fishing villages with 20 or less members to increase the average number of members of fishing village groups to 50 or more members and the first plan to organize fishing villages was implemented in 1972.

In the 1980s, the previous classification of fishing villages which was divided into four categories of preparation, base, self-help and independence was restructured to classification into three stages of independence, self-operation and welfare and the nurturing direction and details were differentiated depending on the stage of the development.

The government and Suhyup implemented a policy to nurture fishing villages in the 1980s with a goal of increasing the development stage to the highest level of welfare for all fishing villages by the end of the 1980s and developing exemplary fishing villages into corporations to recognize their independence.

Therefore, the focus of the Suhyup guidance business in the 1980s was the corporate fishing villages in the fishing village nurturing plan. However, there were many insolvent corporations among corporate fishing villages as time passed and many business conflicts with district-level Suhyup. Therefore, addressing the issue of corporate fishing villages emerged as a new task of the guidance business.

D. 1990s

In the 1990s, all businesses of Suhyup including the education and guidance business were hit hard due to unprecedented degradation of the external environment. It was a time of crisis for 10 years.

In 1992, the fishery market was under pressure to open up with the conclusion of the Uruguay Round and the Suhyup credit business was at risk due to financial crisis at the end of 1997. In the meantime, the Fishery Resources Protection Decree, which served as the legal basis for consignment sales of Suhyup, was revised to turn the mandatory listing system of catch to free sales system, shaking the business foundation of cooperatives.

With the free sale system of offshore fishery products, the income from Suhyup's consignment sales fees decreased significantly, making many cooperatives feel management pressure. In particular, cooperatives focusing on aquaculture fishery products were damaged more as the consignment sales fee was the main source of their income.

The new Republic of Korea-Japan Fisheries Agreement and Republic of Korea-China Fisheries Agreement signed in 1998 and June 2000 respectively pushed businesses related to offshore fishing operations to the brink of collapse. Such rapid changes in the external environment put restrictions on all Suhyup businesses. In particular, the credit business was hit hard and the sales business shrank significantly.

However, education and support projects had significantly increased in spending in the late 1990s. Because member cooperatives were in difficulties due to IMF financial crisis and the new Republic of Korea-Japan and Republic of Korea-China Fisheries Agreement, member cooperatives were provided with funds to maintain a stable business environment. The financial support was combined with active efforts of fishermen and employees of member cooperatives who helped to improve business condition, contributing to the development of fishing villages.



Completion of Bupyeong training center in November, 1977

E. 2000s

NFFC strengthened its accountable management system with an independent business unit system under the slogan 'New Start' in the 2000s. Regarding the education and support business, the guidance department was restructured to the member support department in 2001 and to the member management support department in 2007 to strengthen the business ecosystem and shift the business direction from a fishing village guidance oriented system to a member cooperative nurturing guidance oriented system.

According to 50th Suhyup Working Paper (2012), NFFC organized 7 businesses such as fishing village guidance, cooperative member nurturing guidance, employee training, safe fishing operation guidance, PR activities, research and international cooperation under the category of the education and support business. Regarding member nurturing guidance, it has been expanded to cooperative work guidance, cooperative business evaluation, member nurturing, cooperative business improvement fund support and they have become the focus of the education and support business in the 2000s.

In the meantime, new projects such as urban-fishing village exchanges and fishing village tourism emerged instead of traditional businesses, such as increase in income and preservation of fishing grounds, incorporating the changes of the time.

Promotion activities were divided into external and internal promotion activities and international cooperation business included ICA activities, Republic of Korea-Japan fisheries cooperation, Republic of Korea-Russia fisheries cooperation and inter-Korean fisheries cooperation, which are the major changes of the education and support business in the 2000s.



New start 180 movement declaration in April 2001

Section 3.

Achievements for the Past 10 years

1. Overall analysis

According to the settlement report, the expenses on education and support business for the past 10 years were spent on 6 areas: ① production guidance, ② organizational enhancement, ③ training, ④ research, ⑤ PR-enlightenment and ⑥ communications for fishing. In 2021, expenses on communications for fishing accounted for 66%, the largest portion (including government subsidy) followed by 11% on production guidance and 10% on PR-enlightenment.

The three projects account for 86%, most of the expenses for guidance projects. The remaining 14% of expenses were spent on training, enlightenment and research. Traditionally, expenses on organizational enhancement and production guidance have accounted for larger shares of the expenditure.

2. Performance by business

A. Fishing village guidance

Fishing village guidance has been one of the major education and support projects of Suhyup since the establishment of Suhyup so the content of the business is very diverse.

According to the data from the 50th (2012) to the 59th (2021) annual reports of NFFC, 15 specific tasks are identified in the fishing village guidance projects. Many of them have been conducted traditionally, but new projects have been developed in line with social changes.

- ① Identification of fishing village leaders
- ② Exchanges between cities and rural villages (2011)
- ③ Promotion of fishing village tourism (2006)
- ④ Movement to maintain the order of fishing operation
- ⑤ Movement to improve fishing ground environment
- ⑥ Movement to form resources
- ⑦ Invitation of women diver (abolished in 2015)
- ⑧ Selection of fishery scholarship students
- ⑨ Support for fishermen training (2013)
- ⑩ Recovery of oil spill accident
- ⑪ Advice on compensation for fishery damage
- ⑫ Fish Care project (2015)
- ⑬ Support for returning to fishing village (2017)
- ⑭ Campaign to prevent the collection of sea sand (2018)
- ⑮ Movement to respond to construction of offshore wind farm (2019)

According to the project settlement data of the NFFC, the expenses spent on production guidance that supported the fishing village guidance projects above was KRW 6 billion on average annually, accounting for about 20% of the total expenses on guidance.

B. Resources formation and environment improvement movement

Suhyup has participated in the improvement of marine environments campaign and fishery resources formation through education and support projects. The two projects started in 1991 for the first time and they have been actively promoted in the 2000s.

The resources formation projects that were conducted for 10 years from 2011 to 2021 included release of 270 million baby fish and baby clams. The fishing ground environment improvement movement was conducted to remove 101 tons of waste, 3,610 tons of waste from fishing tools and 874 tons of starfish.

C. Member cooperative nurturing guidance

This project was conducted comprehensively under the name of nurturing system organization. But it was separated from the fishing village guidance project in the 1970s and became independent under the name of member cooperative nurturing guidance. This is one of the top two businesses under the education and support project of Suhyup. It is mainly composed of five items. Activities in ① and ② have been conducted for a long time and activities in ③~⑤ emerged after the financial crisis in the late 1990s.

- ① Cooperative work guidance
- ② Cooperative status survey
- ③ Cooperative management evaluation (2001)
- ④ Cooperative management consulting (2013)
- ⑤ Financial support for management improvement (2003)

NFFC signed an MOU with cooperatives in 2006 for normalization of cooperative management and conducted a cooperative management evaluation focusing on 4 items of capital adequacy, business profit, financial liquidity and management capabilities.

As a result, the NFFC gave management improvement orders to cooperatives in poor condition or cooperatives with concerns and provided management improvement funds to cooperatives with concerns about depositor protection to normalize the management of cooperatives.

D. Training

Training has been one of the major education support businesses since the foundation of Suhyup. In the early days, training was limited to executives and employees of the Suhyup system organizations but the scope of trainees was expanded to the head of fishing village groups, members of fishing village groups and fishermen and recently it was expanded further to female fishermen and migrant fishermen.

However, internal training, led by the training center of Suhyup, has exceeded its limit and the number of trainees receiving external education accounts for 86.1% in 2020.

Recently the number of trainees receiving commissioned training is increasing, because the expertise of Suhyup has been expanded to securities, audit, evaluation and strategy, beyond the traditional role of banking and insurance businesses. As expertise and sophisticated skills are required with OA and IT knowledge, the dependence on commissioned education should increase.

E. Promotional activities

Promotional activities are one of the education and guidance businesses of Suhyup, intended to improve the image of Suhyup and increase value of the Suhyup movement and trust in Suhyup by publicizing the existence and role of Suhyup internally and externally with accurate information. In the early days of Suhyup, it was called the enlightenment movement but the name was changed to promotional activities in the 1980s.

Internal media such as FBS, fisheries broadcasting service and fishermen in fishery, a newspaper-type newsletter are utilized for promotional activities.

FBS, which opened in 1993, delivers various news about Suhyup and the fishery industry through a TV broadcasting network connected to headquarters and branches of NFFC and member cooperatives, promoting the improvement of organizational culture and capacity building. FBS expanded its area to ocean and fishery broadcasting in 2014, delivering various information useful for fishing sites after establishing a broadcasting network at major consignment sales stores and ferry terminals.

“Fishermen in fishery”, which was launched in 2009, is a weekly newsletter, published in the form of a newspaper. It delivers major news and events in the fishing villages, fishing ground and fishery industry rapidly, serving as the focal point of opinion in the fishery sector.

In addition, media promotional activities have been conducted to lay a favorable opinion targeting the public, government and national assembly and PR Department, a dedicated department for PR activities have produced 481 press release documents on annual average, and about 4812 documents in total. Press release documents are the source of articles in major broadcasting and newspaper companies.

In particular, the PR department established a team dedicated to online PR to take advantage of social network services as a major means of PR activities in line with the rapidly developing ICT environment. Accordingly, it has expanded the communications area to various social network media such as Twitter, Facebook, Blogs, Youtube and Instagram. These efforts improved the PR impact of Suhyup and the fishery industry and promoted the consumption of fishery products.

Overseas PR activities focused on letting the world know about the existence of Suhyup through Korea-Japan and Korea-China fishery relations but after joining the ICA and being elected as chair of ICA International Cooperative Fisheries Organization, the scope of activities has been expanded to make Suhyup well recognized internationally, contributing to the improvement of national status.

After the chairman of NFFC was elected as chairman of the ICA International Cooperative Fisheries Organization in 2009, the chair country position has been maintained up until now. The World Fisheries Cooperative Day has been held three times in Seoul including the inaugural ceremony on June 16, 2011, followed by 2014 and 2015. At the 36th ICA annual conference held in Cancun, Mexico in November 18, 2011, NFFC won the 11th ICA Rochdale Pioneer Award, which contributed to overseas PR activities significantly.

In 2017, a digital archives system was established to include 2,228 items of major records, photos, videos and publications that have been kept since its foundation to enable permanent retention of the historical data that shows the 50-year history of Suhyup.

F. Survey and Research

Survey and research projects have been conducted since the early days of Suhyup with the major work being to produce the annual report and status survey on member cooperatives and fishing villages. Since June 1969, monthly publication “Suhyup Statistics” have been compiled and since the mid-1970s, a yearly book of Suhyup statistics has been established. In the late 1970s, the work of making a report on fishing management migrated from the Office of Fisheries to NFFC. Surveys on money required for fishing businesses and survey on economy of fishing households are major projects conducted as part of Suhyup survey and research.

In addition, it has published the Fishery Knowledge Sharing Series since 2011. The project started with the publication of the History of Japanese Occupation of Fishing in the late Korean Empire written by professor emeritus Chang Soo-ho of Pukyong National University as the first issue in December 2011. The second issue was published in 2012 with Understanding of Fisheries written by professor Kim Byeong-ho of Pukyong National University. The third publication was Research on the Changes of Fishing Grounds Use for Aquaculture written by professor emeritus Choi Jeong Yoon of Pukyong National University in 2013 and the fourth publication was the Value of Korean Fishing Heritage in 2014 written by Yoo Won-geun and Kim Jeong-bong. The fifth issue was Nanho Eomokji regarding fishery and livestock farming written by Lee Doo-soon and Fishery Industry in the Annals of the Joseon Dynasty written by professor Kim Jin-baek of Tongmyong University was the sixth issue in 2016.

The 50-year history of Suhyup published in 2012 was different. In the past, the publication focused on a description of each business areas with events but this one was published with a focus on the life of fishermen and the history of Suhyup with the theme of ocean, fishery and Suhyup under the title of the “50-year history of Suhyup, Hope created from the ocean”. In addition, a “Suhyup historical data exhibition center” was established with an exhibition of 271 documents collected from National Archives of Korea and newspaper articles at Suhyup Cheonan training center.



Fishery Future Forum in May 2011

In the meantime, the Fishery Future Forum, which predicts the future of the fishery industry and long-term changes in fishing villages was organized in May 2011. It has been held two times a year with the first form held in May 18, 2011 and the 16th forum was held in 2019. The forum provides a venue for discussion to diagnose the current state of the fishery industry and fishing villages and explores a potential direction for the fishery industry as a future industry.

One of the noteworthy achievements of the survey and research projects made over the past 10 years is in the research area. Survey statistics and research projects started with the establishment of the Fisheries Economic Institute under the NFFC in April 1995. The survey department function was absorbed into the Fisheries Economic Institute and at the same time, the research projects have been strengthened.

The Fisheries Economic Institute provides research service by conducting research required to improve the management of the NFFC and establish a management strategy for member cooperatives and provides research results to Suhyup system organizations. The research work started in earnest in 2011. About 122 research projects including 8 in 2011, 9 in 2012, 11 in 2013, 11 in 2014, 10 in 2015, 10 in 2016, 9 in 2017, 13 in 2018, 13 in 2019, 11 in 2020 and 17 in 2021 were conducted and results were shared with departments in NFFC and member cooperatives.

In addition to research on management improvement and business identification for NFFC and cooperatives, the institute is dealing with various subjects related to the fishery industry such as fishery resources management and fishery products distribution.

G. Safe fishing operation guidance

This project is intended to protect the life and property of fishermen by sharing information on safe fishing operation and fishing boat accidents through a fishing vessel safe fishing operation station.

In the 1960s, the project was called fishing wireless station and in the 1970s, the name was changed to safe fishing operation guidance. In the 1980s, the name was restored to fishing wireless station. In the 1990s, the name became “safe fishing operation guidance for fishermen” and has been used up until now. There are 7 major programs.

- ① Prevention of fishery disaster and fishing vessel accident
- ② Safe fishing operation training for fishermen
- ③ Management of fishing vessels operating in EEZ
- ④ Operation of fishing vessel safe fishing operation station
- ⑤ Facilities of fishing vessel safe fishing operation station
- ⑥ Support for fishing vessel safety equipment
- ⑦ Operation of VHF-DSC communications network

Most of the programs were supported partly by government subsidy and it demonstrates that the programs have the public interest in mind.

NFFC started EEZ management in 1999. According to the new Republic of Korea-Japan and Republic of Korea-China fisheries agreement, relevant nations respected the traditional fishing operations and made it possible for a certain number of fishing vessels operate together in EEZ. Accordingly, management of fishing vessels operating in EEZ has become a major task for safe fishing operation guidance.

EEZ management includes checking permission for the entry of fishing vessels in EEZ, identification of catch amount to make sure that each country's fishing vessel does not invade the other country's EEZ illegally and our vessels are not seized due to illegal operation.

The Suhyup fishing vessel safe fishing operation station handled reported information from vessels which obtained operation license in Korea Japan EEZ in 1999 and Korea China EEZ and gives guidance on the procedure for entering other country's EEZ and rules.



Joint campaign on the day of fishing vessel safety in March 2015 (Tongyeong)

H. International cooperation project

1) ICA activities

International cooperation is mainly conducted through ICA activities, Korea-Japan fishery cooperation, Korea-China fishery cooperation and Korea-Russia fishery cooperation.

ICA activities have been the representative international cooperation projects where NFFC has made significant efforts since it joined the ICA in 1979. It became a regular member in 1979 and chairman Lee Jong-gu became the chairman of ICFO(International Cooperative Fisheries Organisation). Then chairman Kim Im-kwon and current chairman Lim Joon-taek serve as chairman of the ICFO. As a chair country of ICFO, many programs are underway.

2) Korea-Japan fishery cooperation

The private Korea-Japan fishery cooperation dates back to 1966. With the normalization of national ties between Korea and Japan in June 22, 1965, the agreement on fishery between Korea and Japan was concluded. Article 8 of the agreement stipulates that both countries shall take necessary measures and closely contact and cooperate with each other for the safe fishing operation of fishing vessels and smooth handling of fishing vessel accidents. In December 17, 1965, the NFFC in Korea and Japan Fisheries Association concluded the Korea-Japan private fishery agreement, which is the private agreement for the safety operation and maintaining order of fishing vessels of the two countries.

Article 9 of the Korea-Japan private fishery agreement requires that private fishery groups of both countries should review the implementation of the agreement and hold meetings every year for efficient operation.

The first council was held in Tokyo, Japan in May 1966 and both parties agreed on the accident confirmation form to be exchanged in case of fishing accidents and matters on coloring of fishing vessels of both countries. From 1967, Korea and Japan had taken turns to hold the annual meeting.



Korea Japan private fishery cooperation joint committee, November 1989

The major achievements of the council were the establishment and revision of the accident formation form, establishment of the organization and operation of the Korea Japan private fisheries cooperation committee to handle fishing vessel accidents, agreement on the coloring of fishing vessels of Korea and Japan and establishment and revision of criteria for estimating the loss amount related to fishing gear and establishment of the foundation for private fishery cooperation. As a result, the Korea Japan private fishery joint committee meeting, Korea Japan joint fishing leaders' meeting, Korea Japan fishery committee secretary general meeting, Korea Japan private fishery business group council and council meeting were held to promote various kinds of private fishery cooperation.

As the UN Convention on Law of the Sea based on exclusive economic zone was adopted in 1982 and took effect in 1994, international marine order began to be reshaped. Korea and Japan started negotiations in April 1996 and signed the new Korea Japan fishery agreement on November 28, 1998. The agreement took effect on January 22, 1999.

Meanwhile, NFFC migrated the work of the Korea Japan private fishery cooperation to the Korea Fisheries Association on December 31, 2001 under the direction of the Ministry of Oceans and Fisheries. After the transfer of work, NFFC has participated on Korea Japan private fisheries cooperation council to represent the interests of fishermen.

3) Korea China fisheries cooperation

Since the mid-1980s, accidents have frequently occurred between Korean fishing vessels and Chinese vessels in the West Sea and East China Sea and there was a need to establish a private fishing cooperation system between Korea and China to resolve this issue. However, Korea did not have prior exchange experience with China so exchanges were done through the Japan Fisheries Association.

The 1st Korea-China private fisheries meeting was held in Tokyo, Japan from December 15 to 16, 1988, and Korea-China private fisheries cooperation began. At the meeting, discussions were held on the emergency evacuation of fishing vessels in the West Sea and East China Sea, processing of maritime accidents, safe fishing operation and emergency communication.

At the third meeting held in Seoul on December 26, 1989, the heads of the two parties signed an agreement on the processing of fishing vessel accidents between NFFC and East-West fishery Association in China. This is meaningful as the first private fisheries cooperation document signed before Korea and China established diplomatic ties. Since then, the NFFC and Chinese Fisheries Association held 12 meetings to resolve 38 fishing accidents and promote private fisheries cooperation until March 21, 2001 and provided training to local fishermen on how to enter and operate in the West Sea and East China Sea.

On June 30, 2001, the Korea China fishery agreement took effect and NFFC delivered the work of the private fishery cooperation with China and Japan to the Korea Fisheries Association under the direction of the Ministry of Oceans and Fisheries. After the transfer of relevant work, NFFC has participated in the Korea China and Japan private fishery cooperation council meeting since 2011 and Korea-China private fisheries council meeting to represent the voices and interests of fishermen.

4) Korea Russia fishery cooperation

Korea and the Soviet Union established diplomatic ties in September, 1990. Both countries negotiated fishery cooperation and concluded the agreement on fishery cooperation between the Korean government and the Government of the Union of Soviet Socialist Republics and the agreement took effect on October 22. In particular, this agreement is meaningful in that it has been a bridge for securing new deep-sea fishing grounds in the northern waters by officially signing a fishing agreement between Korea and Russia.

However, the Union of Soviet Socialist Republics, the party to the agreement collapsed on December 31, 1991, so the external relationship of the Soviet Union was succeeded by the Russian Federation and the Korea-Soviet Union fishery agreement was changed to Korea-Russia fishery agreement.

The main content of Korea-Russia fishery agreement is as follows. Article 1. Two countries shall establish a cooperative relationship based on mutual benefit and equality in the area of fishery. Article 2. The two countries shall execute a cooperative business for the preservation and optimal use of marine biological resources in the Northwest Pacific region. Article 5. Both countries shall cooperate with boarding of inspection officers to comply with laws. Article 6. Both countries shall fulfill their obligations and responsibilities for the protection of anadromous fish. Article 7. The Korean government shall cooperate with actions to preserve fishery resources near the Sea of Okhotsk and EEZ of Russia. Article 9. Both countries shall cooperate with the support for joint ventures in the area of fish aquaculture and processing. Article 12. Both countries shall provide convenience for the port of call and supply of fishing vessels. Article 13. Both countries shall establish and operate a fishery committee to achieve the purpose of this agreement. Article 15. Both countries shall keep the validity date of this agreement and renew it automatically every year. The addenda says that the original copy shall be made in duplicate in Korean and Russian and signed in Moscow on September 16, 1991.

Korea and Russia established the Korea Russia fishery committee led by the government of both countries under Article 13 of the agreement as soon as the agreement was signed and have held annual meetings since October 1991. As a result, Korean deep sea industry enters the waters of Russia every year according to the agreement with Korea Russia fishery committee.

Initially, Korean offshore vessels did not operate there because the fishing operation condition in Russian waters was not met. However, with the announcement of the new Korea Japan fishery cooperation in 1999, offshore fishing vessels experienced a significant reduction in fishing grounds so the offshore fishing industry promoted the entering into Russian waters using a private fishing operation method utilizing the support from the local government. Guryongpo Suhyup promoted 44 jiggers entering the Russian waters and obtained 1,775 tons of catch between July 23~ September 22, 1999, confirming the potential as a fishing ground.

Since 2000, NFFC has led the fishing operation of jiggers in Russian waters using a government-to-government fishing license method but in 2000, there was no local government support and Russia requested a high fishing license fee at the level of 1999, resulting in no fishing operations in Russian waters. However, since 2001, a license fee was agreed with Russia and about 50 to 100 fishing vessels are operating in Yeonhaeju waters a year.

For efficient fishing operation of jiggers, NFFC has promoted the work in close cooperation with the national offshore squid jigger association, which is the fishermen's association for fishing operations in Russia. In this process, the NFFC handles contact with Russia, negotiation, translation, documentation and other administrative work and the association is in charge of decision making on fishing licenses in Russia, material management and internal and external contract.

It has positive effects such as prevention of intense competition in the domestic fishing ground and contribution to the production of domestic fishery products through operation in fishing grounds of neighboring countries.

5) Introduction of foreign crew

In the 1990s, Korea was faced with a serious manpower shortage as people refused to engage in small and medium-sized manufacturing industries, risky occupations, and 3D industries due to rapid economic development and industrial advancement. To overcome this phenomenon, the government introduced a foreign industrial technology trainee system in 1993, and SME(Small and Midium sized Enterprises) started to overcome the manpower shortage through this system.

Similarly, in the fishery sector, as the offshore fishing vessel fishing industry was recognized as a representative 3D industry, the problem of supply and demand of crews could not be solved alone by domestic crews. The Ministry of Oceans and Fisheries decided to introduce a foreign crew trainee system in the fishery sector, and in May 1996, the NFFC was designated as the agency for managing overseas crew.

As a pilot project, 1,000 foreign crew trainees were allowed on offshore fishing operations. On December 16, 1996 year, 18 Chinese trainees were assigned to Purse-Seine Fishing Suhyup and it was the start of the introduction of the foreign crew.

On June 7, 1996, the NFFC established a crew management group in the member support department and started a project for introducing foreign crews. At that time, the NFFC played the role of issuing visas for foreign seafarers, recommending trainees to NFFC, supervising training companies, taking out a wage guarantee, mutual aid, operating the crew wage claim guarantee fund, preventing late payment of wages and unfair labor practices, paying international phone cards, and consulting foreign crew on difficulties as an agency governing the introduction of the foreign crew system.

With the abolition of an industrial trainee system in 2007 and introduction of new employment system, the fishing industry had a dual system. One is the employment permit for 20 ton or less fishing vessels and aquaculture, the other is the foreign crew system for 20 ton or higher fishing vessels. Under the employment permit system, it was designated as a vocational training agency by the Ministry of Employment and Labor since 2007 to introduce 25,482 foreign manpower from Indonesia, East Timor, Sri Lanka and Vietnam by the end of 2021 and 38,637 foreign crews from Vietnam, Indonesia, China, Myanmar and Sri Lanka under the foreign crew system.

I. Suhyup Foundation

Suhyup Foundation was established for the purpose of social education, cultural and welfare programs for fishermen, which handles the areas that cannot be covered by the existing Suhyup guidance project.

The foundation was established under the name of fishermen education, culture and welfare foundation by NFFC under the Act on the Establishment and Operation of Public Interest Corporations in September 2009. It was registered as a donation entity for the Ministry of Economy and Finance and the name was changed to Suhyup Foundation in April 2016. The HQ is located in NFFC and the contribution of the foundation is made mostly by NFFC and partly by the general public and member cooperatives.

The organizational structure of the Suhyup Foundation consists of a president and under the president there is an executive director and a secretariat. The secretariat is chosen from within the Fisheries Economic Institute. Ex-officio directors are the chairman of the NFFC and the head of the Fisheries Economic Institute and there should be more than 5 and less than 15 directors including those appointed by fishery related organizations and academia. The number of auditors shall be 2 or less. The term for directors and auditors is 2 years but they may be reappointed.

Types of projects conducted by the Suhyup Foundation can be divided into the following 8 types.

- ① Fishing village cultural project
- ② Fishermen education and support project
- ③ Project to promote the welfare of fishermen
- ④ Scholarship program (including operation of scholarship facilities)
- ⑤ Support for survey and research
- ⑥ Giving commendations and awards
- ⑦ Project for internal and external promotion of Suhyup
- ⑧ Other projects necessary to achieve purpose

Suhyup foundation focused on formation of funds in the early days but it started business in earnest in 2011 with significant results. Major programs include the scholarship program, medical support and improvement of residential environment.

1) Scholarship program

A) Support for Suhyup scholarship



Ceremony to give scholarship certificate of Suhyup, February 25, 2021

In order to reduce financial burden of education fees for children of fishermen in poor fishing villages which have poor educational infrastructure compared to urban areas, Suhyup Foundation started a scholarship program in 2013. The eligible beneficiaries include children of fishermen, including those subject to social protection under the law in the university and high schools located in Korea and the foundation selects scholarship students based on self-introduction and planning to complete school. About 1,179 university students and high school students, who are children of fishermen, were supported with KRW 2.972 billion of scholarship through 2021.

B) Operation of Suhyup scholarship dormitory

Suhyup Foundation has run the Suhyup scholarship dormitory for children of fishermen to solve residence problems of university students who leave their home to study in Seoul and metropolitan areas and nurture talents who can contribute to the fishing village communities in the future.

Suhyup scholarship dormitory, which opened in February, 2014, is located in Sinjeong-dong, Yangcheon-gu, Seoul, and is composed of 2 buildings. One building is for male students and the other building is for female students. There are 53 rooms in total. 3 managers take turns to supervise the facility 24 hours a day to manage facility and safety, in order to create an environment where children of fishermen are able to concentrate on learning.

A total of 426 university students, who are children of fishermen, received benefits until 2021 and about KRW 1.174 billion was invested to operate the program.

2) Medical support

Suhyup Foundation is taking the lead in making healthy fishing villages by conducting a medical support program under which fishermen in fishing villages with poor medical facilities and access to medical care can be provided with an opportunity to promote health and receive adequate care.

A) Support for medical volunteer activities

The foundation is taking the lead in reducing the medical care gap between cities and fishing villages by supporting medical volunteer activities expenses for fishermen through medical institutions with which the foundation signed an MOU. The foundation signed an MOU with 22 hospitals including 4 tertiary hospitals. About 128 medical volunteer activities were conducted, supporting KRW 632 million in expenses for 13,308 fishermen through 2021.

B) Support for medical examination expenses

The foundation supports medical examination expenses up to KRW 300,000 to the elderly fishermen who are suffering from economic hardship so that they can have improved access to health and an opportunity to find serious diseases early. About KRW 781 million was supported to 2,810 fishermen by 2021.

C) Support for surgical treatment

The foundation is contributing to improving the medical welfare of fishermen and reducing the economic burden by providing surgical treatment expenses such as hospitalization, surgery, and pharmaceutical expenses to fishermen who are suffering from economic difficulties due to high medical expenses. A total of 1,120 fishermen were provided with KRW 1.477 billion through 2021.

3) Improvement of residential environment

A) Improvement of residential environment for fishermen

The living conditions (housing, basic living, welfare, etc.) in fishing villages are poorer than in cities in almost all areas, so comprehensive welfare support is urgently needed. The national and local government support is focusing on large scale projects with limitations in small-scale environmental improvement in fishing villages and partial maintenance.



Support for the improvement of residential environment for fishermen,
July 1, 2017

Accordingly, Suhyup Foundation has started the Hope Sharing Group for Fishing Villages project to support the poor residential environment and maintenance of outdated communal facilities for fishermen who are in the blind spot of welfare since 2017.

Many efforts were made to improve the living environment including visiting fishing villages for painting and house repair, underwater purification activities and collecting waste from the sea side and improving the landscape by drawing wall paintings in the village. In 2019, the name of the program was changed to improvement of residential environment for fishermen, focusing on the improvement of the living environment of fishing villages such as repair of common facilities.

In 2021, KRW 45 million was contributed by Korea Electrical Safety Corporation for shared growth of agricultural and fishing villages and was used for the project to support the improvement of common facilities in fishing villages. About KRW 419 million was provided to 45 fishing villages by 2021.

B) Healthy Summer Project

In order to protect the health of fishermen who are vulnerable to the summer heat wave, the Health Summer Project has been implemented since 2019 to support the installation and replacement of air conditioners in common facilities in fishing villages. A total of KRW 315 million was provided to 324 fishing villages by 2021 after receiving a recommendation from the member cooperatives regarding common facilities for fishing villages and fishermen, and selecting them based on the evaluation criteria such as the elderly population ratio and the number of heatwave days.

4) Other projects

A) Support for multicultural families of fishermen

Suhyup Foundation has been implementing a multicultural family support project to serve as a practical watchman for multicultural families, contributing to the settlement of a stable fishing village and living stability by providing opportunities for married immigrant women who have difficulty visiting their home country due to economic conditions, etc.

A total of 343 households and 1,211 multicultural fishermen family members visited the country of migrant women between 2010 and 2019 to experience a new culture, and to help migrant women's families visit Korea. It provided an opportunity to enhance mutual understanding through cultural exchanges.



Support for multicultural families of fishermen to visit home country,
September 10, 2016

In 2020, the foundation supported a life support kit composed of convenient food, hygiene and health products to 715 multicultural families for fishermen instead of visiting their home country which was blocked due to the spread of COVID-19.

In 2021, the foundation signed an MOU with a Multicultural Research Center of Dong-A University and provided a non-face-to-face education program in the name of the Sea Love Multicultural School, which consists of bilingual education, child education mentoring, and psychological counseling needed by couples and children of multicultural families. It was carried out for 52 households to diversify support for multicultural families. KRW 1.172 billion was provided to 1,978 fishermen and 1,110 multicultural families by 2021

B) Distribution of books related to fishery

In order to increase pride in our oceans and fishing villages and improve public awareness on the industrial value of the fishery industry, Suhyup Foundation has distributed books related to fishery.



Children's book produced and distributed by Suhyup Foundation

From 2011 to 2013, books on fishery, liberal arts and children's book were provided to education institutes, universities related to fishery and the fishermen's association in fishing villages as part of a book distribution project for fishing villages. And in 2014 and 2015, a book <Go to Explore Ocean> and an animation DVD under the theme of eating fish for longevity were produced and supplied to settle a healthy food culture for elementary school students, promote consumption of fishery products and improve understanding of fishery.

In 2016, the scope was expanded from elementary school students to high school students and university students related to fishery and oceans. Theme-based books and children's book were distributed including <Legend of the Sea> a children's cartoon that includes the stories of damage to the marine ecosystem as a result of collecting sea sand, ocean contamination due to oil spillover and the need to preserve tidal flats was produced in 2018 for distribution to elementary schools.

So far about KRW 533 million was spent to distribute 97,843 books and 16,000 animation DVDs.

Chapter 2

Economic Projects

1962
2022

An economic project is specified in the Suhyup Act. Economic projects include sales, purchase, use and processing and price stabilization business. Sales project is composed of production area distribution business (consignment sales store, production area base distribution center and production area public sales market), consumption site distribution (consumption site market, consumption site logistics center), group meal (military, school, company), electronic commerce (B2C, B2B), homeshopping, direct sales and trade. The purchase business is composed of supply of tax-free oil for fishing operations, supply of materials on vessels, and supply of equipment for fishing operations. Use and processing business includes ice-manufacturing, refrigeration, cold storage and processing. Price stabilization project includes a government reserve project and purchase support program.

Section 1. Sales

1. Overview

A. Significance

The sales business of the fisheries cooperative refers to all activities for the distribution and sale of fishery products produced and processed by members. The purpose of the sales business is as follows. First, it is to increase the income of fishermen who are members of the cooperatives by raising the selling price by establishing a seafood distribution system. Second, it is to protect consumer rights and interests by stably providing high-quality seafood to consumers by reducing or eliminating inefficiencies that occur in the distribution process. Finally, it is intended to contribute to the maintenance of the fishing village and economic and social development by securing a stable market through the promotion of consumption of domestic fishery products.

B. Distribution in production area

1) Consignment sales in production area

A) Definition

The consignment sales business purpose is to sell fishery products produced by fishermen in the production area via consignment sales store. The store is mostly run by member cooperatives. In addition, consignment sales stores are equipped with simple sorting and processing facilities, ice making and processing facilities as well as oil supply facilities to provide various services to fishermen.

B) Legal basis

The Fishery Products Distribution Management and Support Act was established on March 27, 2015 as a law governing the overall matters of the distribution of fishery products. It became the legal foundation to improve efficiency of fishery distribution system and competitiveness of the fishery distribution business.

C) Facility status, etc.

There are a total of 214 consignment sales stores across the nation: 211 in production area (coastal area) and 3 in inland areas. 91 member cooperatives have consignment sales stores. 19 cooperatives have 56 stores in Gyeongnam Province (26%), 20 cooperatives have 50 stores in Jeonnam (23%), 9 cooperatives have 28 stores (13%), 8 cooperatives have 25 stores in Chungnam (12%) and 9 cooperatives have 21 stores in Gyeongbuk (10%).

Among them, NFFC manages one store, the Incheon public sales store. It was established on May 1, 1973 and equipped with an auction house, middleman's house, and cafeteria on the building area of 2,586m² and land area of 13,030m².



Outside of Incheon public sales store and inside the auction house

Recently, the government has carried out the clean store model project since 2019 to improve aging and poor sanitary conditions. Accordingly, Goheunggun Suhyup was equipped with a clean store facility in February 2022 and Yeosu Suhyup will complete its clean store facility in May 2023.



Goheunggun Suhyup clean consignment store

In addition, Sanitary safety system establishment program for fishery distribution stage was been implemented in 2020 as a project to introduce a cold temperature distribution system for each stage of fishery production to provide safe and fresh fishery products. The auction house of Mokpo Suhyup, which was selected as a low-temperature consignment store operator in 2021, will be converted from an existing open structure to a closed structure with doors to maintain freshness, and will be equipped with a temperature control system, purified seawater system, and algae prevention facilities.

In addition, an automatic sorting machine that can sort large amounts of fish by size in a short time, and a low-temperature vehicle that allows fresh auctioned seafood to be delivered to consumers, will be introduced.

2) Production site sales business

A) Definition

Production site sales business is conducted at the production site sales store. The mechanism is the same as consignment sales. Price can be determined relatively fairly as the price of fishery products listed at the store is determined by auction and it has an advantage of trading large amounts of fishery products within a short period of time.

B) Legal basis

The law related to sales store is the Act on Distribution and Price Stabilization of Agricultural and Fishery Products established on July 1, 1977. It has been the foundation for managing production site sales stores and sales store at consumption sites.

C) Facilities status

There are three production site sales stores as of 2021. They are the Suwon store of Southern Gyeonggi Suhyup, Ulsan store of Ulsan Suhyup and Gamcheon store of Busan Suhyup. They can handle large amounts of fishery products as they are located in large cities and Ulsan and Busan stores are close to production site consignment stores.

3) Fisheries products processing & marketing center (FPC)

A) Definition

Fisheries products processing & marketing center (FPC) is a business that aims to meet consumer demands by processing aquatic products in large quantities in production areas and increasing added value, and to increase producer prices. Therefore, the fishery products processed here can be sold to large numbers of consumers or supplied through the Suhyup Logistics Center, thereby streamlining the existing six-stage distribution structure to four.

B) Legal basis

Fisheries Distribution Act states that state or local governments shall provide a site for a person who intends to establish a distribution center based on a fishery product to collect, process, and sell aquatic products for the purpose of scaling up the processing volume of fishery products and increasing the added value of products and provide necessary support for securing site or installation of facilities. In addition, the Enforcement Decree and Enforcement Rules of the Act specify the matters necessary for the installation of FPC, facility and operation.

C) Facility status, etc.

As the government established a basic plan for FPC and implementation guidelines in February 2012, FPC construction is underway. As a result, Jeju Hallim Suhyup, Sokchosi Suhyup, Wando Geumil Suhyup, Gyeongjusi Suhyup, Incheon Northern Gyeonggin Suhyup completed FPC for operation, and in 2019, Boryeong Suhyup was designated as an operator and FPC is under construction with an aim of completion in 2022.



C. Distribution at consumption site

1) Sales at consumption site

A) Definition

Consumption site sales business aims to sell the fishery products which were sold in the auction in the production site again at the public sales store through auction at the consumption site. It is intended to secure a sales channel for fishermen by collecting fishery products produced by many small-scale fishermen and distribute them in large quantity and provide products stably to consumers.

In short, it is possible to set a price based on demand and supply, provide fishery products stably, collect fishery products produced from many parts of coastal areas and complete transactions rapidly.

B) Legal basis

As shown in the consumption site auction, the relevant law is the Act on Distribution and Price Stabilization of Agricultural and Fishery Products, which governs the distribution of fishery products at the consumption site.

C) Facility status, etc.

As of 2021, there are 5 stores in Garak, Guri, Gangweo, Jeonju and Gwangju, which are run by the NFFC.

Garak store was opened on June 10, 1985, Guri store was opened on June 2, 1997, Gangseo store was opened on March 12, 1999, Jeonju store was opened on October 29, 1993 and Gwangju store was opened on April 20, 2004.



Auction store at consumption site managed by NFFC

2) Logistics center at consumption site

A) Definition

The logistics center at the consumption site is the facility to store the fishery products sold in production or consumption site temporarily and sell them again to consumers. NFFC opened 5 logistics centers. As part of the comprehensive plan to improve fishery product distribution structure, the government is promoting a new fishery distribution network at the national level to reduce the distribution stages from the current 6 to 4 by linking the FPC and fisheries products distribution center (FDC).

B) Legal basis

According to the Fisheries Distribution Act, for those who are willing to establish the facilities for fishery distribution efficiency and open the FDC for the purpose of releasing products to consumption sites to save distribution cost, the state or local government may provide necessary support such as securing a site or facility installation. The Enforcement Decree and Enforcement rule of the Act stipulates matters necessary for the opening, facility and operation of FDC.

C) Facility status, etc.

There are five logistics centers in Cheonan, Gamcheon, Incheon, Northern Gyeonggi and Gangwon as of now which are equipped with fishery processing, cold storage and frozen storage facilities run by NFFC. According to a comprehensive plan to improve distribution of fishery products, NFFC plans to establish 2 FDCs, 1 in Incheon and the other one in the Honam region area.



3) Wholesale market at consumption site

NFFC runs a wholesale market at the consumption site as part of distribution at the consumption site. Noryangjin Fish Market, a subsidiary of NFFC, is one of the examples.

D. Group meal

1) Definition

The food service business of Suhyup includes military food service business, school food service business, and corporate food service business.

The military catering business aims to stably secure fishery products through fisheries cooperatives, to improve the supply of food for military service members and to facilitate food supply procurement, and to expand the sales channels of fishery products, thereby providing a price support effect and increasing the income of fishermen. In addition, it is meaningful in that it can contribute to the structural stability of the business and improvement of the business balance by diversifying the fisheries sales business.

The school meal business aims to contribute to health promotion by supplying fresh aquatic products with high quality nutrients to growing students through school meals, and to secure a production base for fishermen by creating continuous demand for aquatic products in the future.

The corporate catering business provides food materials to government offices, hospitals, and companies, and promotes consumption of high-quality aquatic products. In addition, the scope of the corporate catering business can be expanded by supplying fishery products to catering companies for large corporations, and it is a business that promotes the use of fishery products and expands the scale of direct transactions.

2) Legal basis

The Fishery Products Distribution Management and Support Act governs food service to promote the consumption of Korean fishery products, secure sales channels and vitalize direct sales.

3) Facility status, etc.

NFFC runs 5 logistics centers to provide fishery products stably for the food service business (Cheonan, Gamcheonhang, Incheon Processing, Northern Gyeonggi and Gangwon) and Incheon and Gamcheonhang logistics centers have a processing facility.

In addition, for safety and quality management of food ingredients, it is HACCP certified so HACCP is applied to the sites.



Processing and treatment facility at Incheon processing and logistics center

E. E-commerce, homeshopping and direct sales

1) Definition

Suhyup's e-commerce, home shopping and direct sales business is a business that reduces the distribution stage and supplies hygienic, high-quality, low-priced domestic seafood to consumers by selling directly to consumers through online and offline sales channels without the intervention of middlemen.

NFFC conducts an e-commerce and a home shopping business through Suhyup Shopping (B2C) and B2B (online wholesale market) online, and offline direct sales business of supplying raw and processed seafood to large distribution companies such as department stores and discount stores.

The member cooperatives conduct direct transactions in offline stores (such as Bada Mart) and online in Suhyup Shopping and B2B (online wholesale market).

2) Legal basis

The legal basis to promote and support direct transaction and e-commerce of fishery products is the Fishery Products Distribution Management and Support Act. However, the concept of direct trade and the legal and institutional basis for aquatic products are weak compared to agricultural products. In order to promote direct trade in agricultural products, the related law “Act on Promotion of Direct Trade in Agricultural Products such as Promotion of Use of Local Agricultural Products” was enacted and operated on June 23, 2015. It specifies the contents of the establishment of a plan, a fact-finding survey and implementation plan, and certification of excellent agricultural products direct trading business sites.

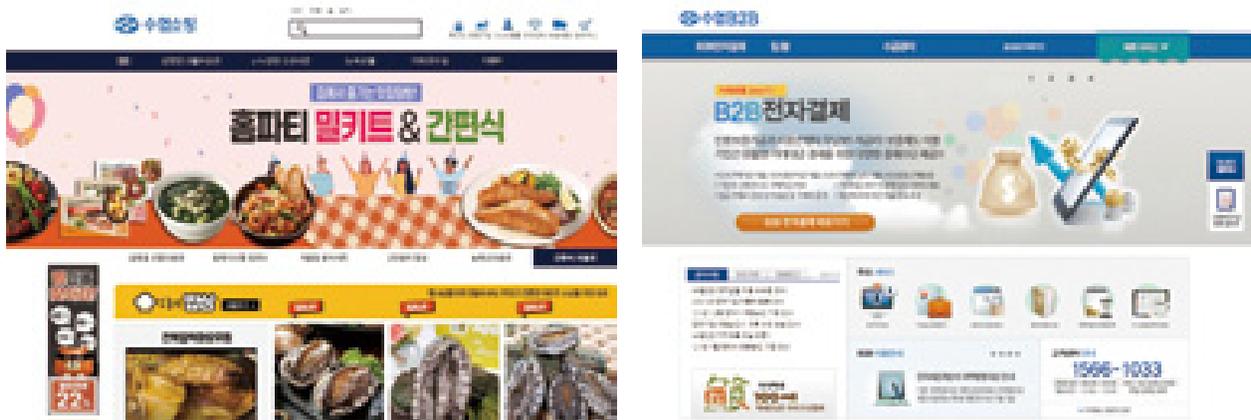
3) Facility status, etc.

A) E-commerce

The Suhyup Shopping business is a B2C business of a comprehensive seafood shopping mall (shshopping.co.kr) directly operated by the NFFC.

NFFC has been conducting the B2B (www.shb2b.co.kr) e-marketplace business since January 2007 to actively respond to the online business era and to contribute to improving the distribution structure of fishery products and strengthening the competitiveness of the fishery industry.

The B2B project was launched in 2006 as an operation project for the 「Seafood B2B Online Wholesale Market」, organized by NFFC and promoted in the form of a consortium in which B2B specialized companies eSang Networks, Noryangjin Fisheries and Busan Joint Fish Market participated as joint execution organizations. Through the B2B system, it provides various transaction processes (B2B electronic payment, free trade marketplace, bidding, quotation transaction) to transaction entities and provides liquidity for payment by linking guarantee institutions and commercial banks.



B2C(Suhyup Shopping), B2B(Online Wholesale Market) Website

NFFC participated in a public home shopping investment in February 2015 in solidarity with the Small and Medium Business Distribution Center and Nonghyup Economic Holdings (a 5% stake in the Federation, KRW 4 billion).



In addition, 'Live Commerce', which directly communicates with customers and sells products by streaming videos introducing seafood products in real time, was introduced to conduct two-way communication with consumers and real-time product sales.

B) Direct sales

It contributes to exploring sales channel and promoting consumption by selling fish (hairtail, mackerel, etc.) and processed seafood (oyster birch, squid, etc.) to large retailers (Shinsegae Department Store, GS Retail, etc.)



F. Trade

1) Definition

The trade business of Suhyup is divided into direct export of 'Bada-aechan', a subsidiary of Suhyup and support for the export of fishery products of related companies. In addition, since 2014 it has made an effort to explore overseas markets including localization support, finding customers for Korean fishery products and financing for fishery product exports by running 10 export support centers in 7 countries together with the government.

2) Legal basis

The trade business of Suhyup is regulated by district level Suhyup, industry level Suhyup, fishery product processing Suhyup and NFFC business in Suhyup's Act.

3) Facility status, etc.

Suhyup is strengthening its function of exporting marine products by supporting exporters' export work through the Trade Support Center, and currently operates 10 trade support centers in seven countries, including China and the United States, with 26 employees.



The main tasks of the trade support center include the role of a business incubator, support for branching projects, local support for trade difficulties in fisheries food, and operation of a business center.

Suhyup has established and operated a "K-Seafood Export Support Platform" to revitalize the trade transaction of fishery food and respond quickly to trade difficulties. Domestic exporters can promote companies and products through online exhibition halls on the platform, and video consultations with overseas buyers are also possible. In addition, trade-related support can be obtained by using the online 365 counseling window linked to the trade support center.

2. Business implementation structure

A. Distribution at production and consumption sites

The distribution path of general fresh fish goes through six stages: fisherman → consignment sales store → auction site at consumption site → wholesaler → retailer → consumer. In this process, the member cooperative is in charge of the consignments store, NFFC is in charge of the auction market, and the wholesale market corporation or management corporation are in charge of the wholesale market to manage the entire process of seafood sales.

At this time, the price of fishery products are listed on the auction and wholesale markets are determined through an auction, and the auction is led by the auction company, and a number of middlemen who have been asked to purchase from the buyer participate in the auction and are sold to the middleman who offered the highest price. After the successful bid, the entire process is concluded by immediately receiving the payment excluding the shipping fee, and the intermediate seller as the primary buyer pays the payment to the management agency after a certain period of time.

On the other hand, although it is not typical yet, the distribution path is reduced from six to four stages because the distribution path of consignment sales store → FPC → FDC → consumer, in which case Suhyup becomes the business entity, so the final sales price is the purchase price + processing cost + margin, and the consumer (large retail) purchases the processed fishery products.

B. Food service

NFFC's military food service project group shall plan to produce and deliver marine products for military meals based on the Agreement on the Planned Production and Procurement of Military Food signed with the Minister of National Defense. In accordance with the meal service policy of the ministry, an annual planned production plan is established by item and place of production, and the place of production and quantity of production are allocated by item. However, if planned production is necessary, such as there is no production facility in the NFFC, annual planned production contracts

are signed with planned production associations and subsidiaries. In principle, the purchase of the original goods of military food service shall be made through the department dedicated to purchases.

In principle, the group meal service business group shall supply food to schools, public institutions, etc., and the purchase of food and fisheries products shall be made by systematic purchase from the member association's consignment market, trial market, and wholesale market or by intermediary wholesalers belonging to the member association. Among the products required by the supplier, the NFFC does not handle them or in the case of emergency orders, the market may be purchased through a commercial distributor.

There is a delivery contract with a client who receives food supplies, and there is a direct management store that delivers and manages food directly to the supplier, and there is a consignment store that has signed a food supply agency contract with the catering company to take over and deliver and manage food to the supplier.

C. e-commerce, homeshopping and direct sales

NFFC sells goods or services on its own B2C shopping mall or other shopping malls in partnership with it. Sellers can submit the request to sell on the website regularly by going through the review process of the approval for the store on the NFFC website. Stores can be admitted as needed after the store submits a request and the relevant department approves it.

In addition, NFFC operates B2B e-commerce including Suhyup B2B, Sh in Store, and Sh Store, which are for B2B transaction. Corporate members shall access and sign up for the Suhyup B2B, Sh in Store, and Sh Store websites.

For homeshopping products, product development starts after reviewing a manufacturing facility, production capacity and delivery price of a production company. After reviewing a production company, samples shall be collected and discussed with MD of the homeshopping channel. If the product composition is determined, the products to be sold on the channel shall be submitted to the product selection committee of the homeshopping company.



Meeting with good partners for homeshopping business on December 20, 2018

In the case of direct sales projects for large distribution companies, etc., in principle, the supply of products shall be purchased through the department dedicated to NFFC. However, if it is a small number of items, or if it is necessary to discuss the purchase price with the supplier, or items that need to be purchased urgently, it is directly purchased. In principle, the production of goods shall be produced by the processing department of the NFFC. If it is difficult to process products suitable for demand due to reasons such as lack of production staff and production capacity, it may be produced by an OEM.

In principle, sales shall be sold directly to large retailers, etc., but if necessary, such as excessive inventory or changes in market conditions, they may be sold by proxy through e-commerce, home shopping, branches, and partners.

D. Trade

NFFC operates a trade support center to support the promotion of marine products, discover new clients and items, support local import and export of headquarters, cooperate with member associations and fisheries-related organizations, and support the admission to Korea fishery product by providing an export incubator to develop overseas markets for marine products. In addition, it assumes or supports the work if the government implements an export promotion policy.

NFFC imports fish powder, fish oil and starch for feed on behalf of Suhyup Feeds, a subsidiary of NFFC. In addition, it imports products such as raw materials, facility materials for export and items assigned by the government under the fishery product price stabilization project.

3. Development process

A. Distribution at production site

1) Consignment sales

The establishment of the law and system on consignment sales of seafood was the 「Fishery Ordinance」 enacted in June 1911 during the Japanese colonial period. By this decree, a fishing cooperatives and fisheries cooperatives were established, and through this, consignment sales began to take place. Also, in January 1929, with the enactment of the 「Joseon Fishing Ordinance」 and fishing rules, the fishery cooperatives I Association and fisheries cooperatives II Association were added to the existing fishing cooperatives I and fisheries cooperatives II that were the main agents of common facilities and consignment sales.

This fishery product sales system was also reflected in the 「Fisheries Act」 enacted in September 1953 after liberation. The basis for designation of a place to sell catches has been laid, and the 「Fisheries Resources Protection Ordinance (current, Fisheries Resources Protection Act)」 enacted in December 1963 prohibits the distribution of illegally caught fish, thereby protecting fishery resources and ensuring the smooth collection and distribution of catches. In order to establish distribution order, it is stipulated that fishery products are to be traded only in sales places designated by the mayor/governor.

This system continued until the mid-1990s, but when the civilian government was launched in 1993, national deregulation began, and changes were also required in the distribution control system for aquatic products. From December 1994, regulations were

eased on a trial basis for three months, and from March 1995, regulations were eased in two stages. Since September 1997, a total conversion to the listing system has been made, which allows distribution without necessarily going through the local market, leading to a free market system.

One of the biggest causes of economic poverty for fishermen and fishing villages in the past was economic expropriation by pre-modern commercial capitalists, so-called merchants of fishery products. The merchants took control of the distribution and finance of fishery products and exploited fishermen through with high interest rates. They were widespread across the country in the 1950s due to lack of administrative power.

In order to solve this real problem, it was necessary to strengthen the consignment sales business of the cooperatives to eradicate the foundation of the merchants. To this end, NFFC opened and operated a production site consignment store in 4 areas, Incheon, Masan, Ganggyeong and Ulsan, where a single member cooperative cannot operate a sales store and the merchants were dominant. In 1963, the stores were expanded to 4 areas: Busan, Mokpo, Yeosu and Yeonggwang.

When Suhyup was established, there were only 15 consignment sales stores in 1962 and the share of cooperatives having consignment sales store was a mere 15.8%. The expansion of the consignment sales store was promoted in 1970 and expanded to 47 in 1971 and 2 were established in inland locations for the first time in 1978. The number in production sties increased to 74 stores. The number increased to 170 in 1980 and 212 in 1991. With fluctuations, currently 92 cooperatives are operating 212 consignment stores (209 on production site, 3 inland locations) as of 2021.

2) Sales at production site

The stores opened and run by NFFC were located in Incheon, Masan, Ganggyeong and Ulsan and additionally 4 stores were established in Busan, Mokpo, Yeosu and Yeonggwang in 1963. The 8 areas had many merchants so that a single cooperative could not operate a consignment sales store normally. With an effort to normalize the business, the areas where 8 stores were located achieved the purpose of protecting fishermen from merchants.

Busan dried fish sales store, which was normalized, was migrated to the Busan cooperative in June 1968 and Masan dried fish sales store was migrated to the Kwonhyeonmang cooperative in July 1965 and the Ulsan dried fish store was migrated to the Jangseungpo cooperative in November 1965, making an effort to establish a production site consignment store system.

In addition, NFFC was directly involved in the Yeosu General Fish Market, which was experiencing difficulties in operation in 1973. The Yeosu General Fish Market was under the management system jointly operated by the Deep-sea cooperative and Yeosu Suhyup. But as the two cooperatives could not operate normally due to a conflict between the two cooperatives, the NFFC took over and restored its functions. The normalized Yeosu store was transferred to the Yeosu Cooperative on December 31, 1987 at the request of the Yeosu Cooperative.

Currently, there is an Incheon store, which is directly managed by NFFC, and in April 1983, a fisherman's welfare center equipped with a bath and a barber shop was opened in order to perform the leading function of the production site consignment sales store.

3) Fisheries Products Processing and Marketing Center (FPC)



In February 2012, when the government established the FPC basic plan and business implementation guidelines, the government and fisheries cooperatives improved the outdated market facilities to maintain the freshness of aquatic products and ensure the safety (HACCP certification) of seafood products. Continuous improvement is being pursued.

In 2012, Jeju Hallim Suhyup and Sokcho City Suhyup were selected as operators in August 2012 and July 2012, respectively. The FPC for Jeju Hallim Suhyup was completed on the land of 16,466m²(5,000 pyeong), building area of 7,230m² (2,187 pyeong) equipped with consignment sales, low temperature workplace, fishery processing factory, cold and frozen storage and ice making facilities in April 2015. FPC of Sokchosi Suhyup was completed on the land area of 25,450m²(7,712 pyeong) and building area of 7,908.8m²(2,396 pyeong) equipped with a consignment sales store and a live fish direct sales store in March, 2015.

In 2013, Wando Geumil Suhyup and Gyeongjusi Suhyup were selected as an operator and FPC was completed in 2016 and 2017 respectively. Gyeonggin Bukbu Suhyup of Ganghwagun region in Incheon city was selected as an operator in December 2018 to establish a HACCP facility (processing facility) and frozen warehouse in January, 2021.

In 2019, Boryeong Suhyup, Boryeong, Chungnam was selected as operator in May, 2019 and construction of FPC for a HACCP facility (processing facility), a cold and frozen warehouse and exhibition room is underway as of 2022.

B. Distribution at consumption site

1) Sales at consumption site

In 1931, market rules were announced that incorporates the Japanese Central Wholesale Market Act and accordingly, urban fish markets were under control and restrictions. With the start of legal and administrative control, fishery cooperatives established the foundation for joint sales of fishery products by strengthening their own capabilities. After liberation and the establishment of the Republic of Korea, the system was maintained according to the Monitoring Act.

However, there were many Korean fishermen who were a member of fishery cooperatives after liberation at the production site, order was restored relatively rapidly but the urban consumption market had to experience difficulties for a long time as it experienced anarchy because agencies were mainly operated by Japanese and they withdrew.

According to the establishment of the government, the 「Central Wholesale Market Act」 was enacted on June 22, 1951, and the law and system related to the joint sales market for inland consumers were established. Accordingly, central wholesale markets were established in more than 13 cities including Seoul, Daegu, Busan, Daejeon, Cheongju, Jeonju, Gwangju, Gunsan, Mokpo, Pohang, Incheon, and Gimcheon.

While the established central wholesale market caused disputes with the stores within urban areas, the supervisory authority did not perform an effective mediation role. Under the system of 「Agricultural and Fisheries Wholesale Market Act」, the one-city multiple market system started to appear, but even under this system, the legal wholesale markets did not function properly due to the spontaneous emergence of a quasi-wholesale business.

Some cooperatives established a distribution system at the production site by establishing and opening cooperative consignment sales store at ports in the early days. Accordingly, NFFC opened a Seoul store in February 1978 to establish the distribution system to link with cooperatives at production sites and it served as a turning point for the distribution structure at consumption sites. On the back of the government's fishery price stabilization system between 1979 and 1980, auction centers were established in 6 major cities including Gwangju, Jinju, Chuncheon, Daejeon, Cheongju and Jeonju. With the expansion of the distribution from production site base to inland consumption site, a consistent distribution system was established.

In 1985, Garak wholesale market for agricultural and fishery products opened and NFFC participated in the market as a wholesale corporation designated for fishery products. Accordingly, the number of inland auction houses increased to 9.

Jinju auction house was closed in June 1989, Cheongju auction house was closed in June, 1994, Daejeon and Chuncheon auction houses were closed in March 1995 and Gwangju auction house was closed in September 1995 respectively for reasons such as opening of large-scale markets for agricultural and fishery products by local governments and

Jeongju auction house moved into Jeonju wholesale market for agricultural and fishery products after closure in October 1993. Seoul auction house was closed in May 1997 and moved into Guri wholesale market for agricultural and fishery products.

In April 2004, Gwangju auction house was opened and it played a leading role in the distribution of fishery products in the southwestern part of Korea centering around Gwangju. With the closure of the Daegu auction house in March 2017, 6 auction houses including 5 in inland area (Garak, Guri, Gangseo, Jeonju and Gwangju) and coastal area (Incheon) are still in operation as of 2021.

2) Fisheries Products Distribution Center (FDC)

Among the comprehensive plan to improve the distribution structure for fishery products, 1 project was conducted in Incheon and Honam region respectively to create new distribution route led by producer associations to improve the logistics distribution function, strengthen distribution function at production sites and reduce distribution steps.

The basic policy of constructing Incheon FDC was established in March 2016 and about KRW 31.8 billion of project cost (50% of government budget and 50% of own money) was invested in the re-construction of the Incheon auction center with a 5-story building with a total floor area of 16,782m². The operation began in December 2020.

In December 2017, a business plan for FDC in Honam region was submitted to the Ministry of Oceans and Fisheries and about KRW 16.6 billion project cost (47.8% of government budget and 52.2% of own money) was invested with a 4-story building with a total floor area of 7,581m². The operation of the FDC started in the first half of 2022 after constructing a processing facility and wastewater treatment plant additionally.

3) Wholesale market at consumption site

Noryangjin Market, as a wholesale market at the consumption site managed by Suhyup, was opened in the name of Gyeongseong Fisheries Co., Ltd. in 1927 and operated by the Korea Cold Storage Co., Ltd. from June 1971 to January 2002. In June 1983, Noryangjin Fish Market Co., Ltd. was established. After that it has been under the management and operation of Suhyup and was modernized in December 2020.



Acquisition of Noryangjin Fish Market in February 2002

C. Food service

1) Food service to military

The military food supply in the 1960s was a breeding ground of corruption as operators who secured the supply of fishery products tried to use every method to be selected as a military contractor. They took advantage of fishermen who were suffering from shortage of funds, the operators lent money with a high interest rate, took catch at below market price and supplied the fishery products to the military at a high price. Accordingly, fishermen suffered losses, the government wasted money and morale of soldiers decreased due to poor quality food at the military.

With the recognition that fishermen need to receive a fair price for the fishery products and quality fishery products should be supplied to the military, Suhyup persuaded relevant organizations to be responsible for military supply. The Ministry of National Defense and government agreed to the proposal and finally, NFFC and the military concluded the agreement on the supply of fishery products to the military in January 1969. In October 1969, the military supply division was established in October 1969 and the partial service started to supply small military units at the end of 1969 and in the 1970s, food service to military started in earnest. In December 2001, the agreement on the planning, production and procurement for military food items was revised.

A military supply management system was established in order to perform work efficiently such as statistics on delivery and basic data on goods supply and purchase of fishery products in August 2009. With this project, the work of managing annual consumption of fishery products at the military, meeting on the menu, purchase of items for service, delivery and inventory management were computerized.

In 2011, the member cooperatives military supply management system was established. It contributed to the establishment of the military supply management system and work efficiency by improving the method of handling military supply of member cooperatives, computerizing necessary formats, and inquiring about the accurate military supply information and inventory in real time.

Many efforts were made to ensure smooth food service to the military including introduction of a top 30 seafood meal, a recipe book developed by NFFC in 2011, training on cooking, establishment of Gyeonggi Bukbu logistics center and Gangwon logistics center in 2015, cooking and eating event by signing an MOU with the Ministry of National Defense in 2017 and support for the installation of ovens at the military units in 2019.

The food service to military has improve the quality of food provided to soldiers by providing quality fishery products and the services are conducted by NFFC logistics center, FDC, FPC and 8 member cooperatives.

2) Food service to school

The School Meals Act established in 1981 stipulates that the purpose of the act is to improve the quality of school meals and contribute to the development of body and mind of students and improve people's diet by stipulating the matters related to school meals. Suhyup secured direct sales channels by providing quality fishery products to places where food service is necessary and started food service to school in March 3 for 300 elementary schools in the metropolitan area in order to increase income of fishermen and promote the consumption of fishery products.

In order to supply products stably in the metropolitan area, the place of business was relocated to Weobalsan-dong (Gangseon auction center) in June 1999 and the processing plant was completed in accordance with HACCP standards in May 2001 to ensure safe quality management of fishery food ingredients. The HACCP system was applied to sites in April 2002 and the factory obtained HACCP certification and was designated as a HACCP facility in December 2002.

As the school meal system started in full scale for elementary schools, middle schools and high schools in 2003, the demand for food ingredients increased rapidly. In January 2008, Suhyup Gamcheonhang Logistics Center with advanced hygiene facilities and automation lines was completed and the sales base was expanded to Busan and Gyeongnam area with the start of the food service business in 2013. In April 2011, the largest Suhyup fishery products processing and logistics center was established in Korea, making it possible to provide fishery products to entities such as schools and military units that need large-scale food service.

In the meantime, the private contract on food service reduced and local government-led school food service was expanded. With the participation in the project to support for school food service in Goyangsi, Gyeonggi-do, Suhyup has established a stable foundation for business by expanding participation in the Seoul ecofriendly distribution center, Seongbuk, Dobong, Eunpyeong, Dangjin, Seongnam in 2013, Gwangmyeong, Hwaseong, Bucheon, Anyang, Euiwang, Gwacheon and Gunpo in 2014, Suwon and Siheung in 2015, Sejong in 2021 and Wonju in 2022.

3) Food service to companies

As part of the corporate food service business, Suhyup has formed a partnership with Foodmerce Co., Ltd. to provide fishery products for 7,000 kindergartens and daycare centers across the country. In 2013, self-hygiene check was conducted 48 times for 390 items including water inspection and quality inspection. In 2014, Suhyup strengthened its food safety by introducing a gamma nuclide analyzer (precision radioactivity measurement instrument) and made efforts to produce high-quality products.

The corporate food service business scope has been expanded by conducting a comprehensive food ingredient business in 2015 and supplying fishery products for food service to CJ Freshway since March 2022.

D. E-commerce and direct sales

1) E-commerce

A) Suhyup Shopping

In 2007, the total number of members of Suhyup Shopping was 17,344, but it continued to increase to 76,615 in 2012, 102,181 in 2015, and the total number of members reached 235,708 in 2021. The number of effective customers was 4,335 in 2011, but increased to 7,269 in 2013, 13,105 in 2015, and 39,178 in 2021.

The number of orders also reached 101,551 in 2013 and 246,315 in 2021 from 34,860 in 2011 due to the continuous increase in total members and effective customers.

The number of companies which signed up for homeshopping increased from 148 in 2011 and 360 in 2014, reaching a total of 642 in 2021 including 16 for NFFC, 52 for member cooperatives and 574 for general companies.

B) Online wholesale market

In 2006, the number of corporate members was 176, with 151 transactions and visits by 19,990 people and in 2011, the number of corporate members was 1,189 with 2,750 transactions. Since then, it has continued to increase, reaching 29,393 visitors, 58,963 transactions, and 7,386 corporate members in 2021.

2) Homeshopping

Home shopping sales began in March 2002, it was suspended in August 2010 due to high fees for home shopping companies. In May 2013, the home shopping business resumed with the sales of NS Shopping, and in February 2015, the home shopping business was promoted in earnest by investing in public home shopping (5% of NFFC's share, KRW 4 billion). Currently, it is taking the lead in securing self-sustainability of the domestic fishery industry, improving fishery product distribution and exploring sales channels through various homeshopping companies including public home shopping.

3) Direct sales

In December 2003, direct sales started by joining Shinsegae Department Store Gangnam Branch and direct sales has improved with large distributors such as Hyundai Department Store, Lotte Mart, and Homeplus.

E. Trade



Survey on overseas market to promote fishery product export in November 2021 (LA, US)

When the Suhyup Act was established, it was stipulated that foreign trade was possible for the development of cooperatives and members. But in reality, business could not be conducted due to regulations such as the Foreign Trade Act. The revision of the Suhyup Act in August 1970 opened pathways for trade business for Suhyup. Since then, the government put expansion of export on the highest priority for the advancement of the Korean economy and announced 16 kinds of strategies for fishery products. Fishermen tried hard to expand production and in April 1976, Suhyup took the business of exporting fishery products to strengthen the role of Suhyup in the export business and protect fishermen.

The first export item for the NFFC was live lugworms. To prevent unlawful business practices of live lugworm exporters and promote export, trade business regulations were established and business places were established in Incheon, Chungnam, Jeonbuk, Jeonnam and Gyeongnam. However, live lugworm exports stopped due to the exclusive system for lugworm being terminated in 1979. After that, it has explored avenues for export by establishing a trade business group in 1995 and the export business began to be revived with the export of live common cockle to China in 1997.

As Badaaechan became one of the representative brands for domestic fishery products, Suhyup began to explore the global market in earnest in 2007. It selected US as the priority target as many Koreans lived there and dried fish under the brand of Badaaechan was provided to H-Mart, a supermarket chain. In January 2007, 12 items including dried squid and anchovy worth US 124,000 were shipped and sold in earnest to US consumers in early March. After that the export markets for Badaaechan products was expanded to Australia, China and the southwestern part of Europe such as Spain, recording US 1 million export volume in 2011.



Busan international fishery trade EXPO(BEXCO), November 2021

NFFC established an export support center in Qingdao in July 2015 and Weihai Suhyup International Trading Co., Ltd. in April 2016 to utilize them as an opportunity for Korean fishery products to enter the Chinese market in response to Korea-China FTA. In addition, the exports base for our fishery products have been expanded by establishing a trade support center in Ho Chi Minh City in Vietnam and Kaohsiung in Taiwan (before Taipei in July 2020) in July 2017, Tokyo in Japan and Los Angeles in the United States in September, New Jersey in the United States, Bangkok in Thailand in June 2018, Kuala Lumpur in Malaysia in June 2018 and Honking in July 2019.

The trade support center is conducting activities in various ways to diversify the overseas market for Korean fishery products, such as supporting local distribution companies (department stores, discount stores, etc.) and domestic seafood promotion and promotional events through online platforms. In 2020, despite the global spread of COVID-19, excellent Korean fishery products including those under Suhyup brand worth US 21.57 million were exported to the Americas (USA, Canada, Mexico), Southeast Asia (Thailand, Philippines, Singapore, Malaysia, Vietnam) through sales promotion, marketing and expansion of the online distribution channel.

Section 2. Purchase Business

1. Overview

A. Significance

The joint procurement business of Suhyup is a business that purchases oil, fishery materials including daily necessities, and all production equipments for ships at low prices jointly. It could reduce the distribution cost by purchasing and supplying directly from producers on more favorable conditions in price and delivery and supplying goods on time, contributing to the stability for fishermen and directing economic benefits to producers, representing fishermen with weak bargaining power in the market price.

The purchase business currently implemented by NFFC can be divided into the supply of tax-free oil for fishing, the supply of fishery materials, and the supply of fishing equipment, etc. Most of these businesses are supported by tax exemption (zero tax rate is applied to the goods and equipment).

B. Supply of tax-free oil for fishing operations

1) Definition

The tax-free oil supply business of Suhyup aims to reduce fishing expenses for fishermen and those operating aquaculture businesses by exempting various taxes levied on fishery oil, and is a business that increases the income for fishermen and supplies affordable seafood to the public.

This project is a business that directly supplies tax-free oil for fishing in accordance with the relevant laws and regulations under the umbrella of the NFFC. The reason why the NFFC directly supplies tax-free oil for fishing is that the demand for oil for fishing is all over the country, the supply is large, and the target item is a single petroleum item.

2) Legal basis

The laws related to tax-free oil for fishing include the Restriction of Special Taxation Act and Special Regulation on the Zero Added Value Tax and Exemption of Tax for Equipment and Oil for Agriculture, Livestock, Forestry and Fishing Industry Purpose.

For the tax-free oil supply of Suhyup, in accordance with Article 12(1) of the Fishery Cooperatives Act on exclusion of application of other laws and application with necessary modifications, Article 10 (Registration of Petroleum Retail Business) of the Petroleum and Alternative Fuel Business Act is not applied.

The manual on the purchase of tax-free oil for fishing is titled the manual on the supply and post management of tax-free oil for fishing operation and the matters necessary for the supply and post management of tax-free oil for fishing are stipulated in Article 106(2) of the Restriction of Special Taxation Act and Article 26 (Post Management) of the Special Regulation on the Zero Added Value Tax and Exemption of Tax for Equipment and Oil for Agriculture, Livestock, Forestry and Fishing Industry Purpose.

3) Status of facility, etc.

NFFC operates 12 oil tankers with charter contract is made to supply tax-free oil for fishing purposes. Member cooperatives operate 2 oil tankers, 6 oil supply barges, 99 tank cars, 140 oil stations and 15 directly managed gas stations.



NFFC Yeosu oil reserves

C. Supply of fishery items

1) Definition

It is a business that supplies fishermen by purchasing the materials necessary for fishery production at a low price. Fishermen who are members of the Suhyup have the characteristics of both producers engaged in fishing activities and consumers who purchase consumer goods. According to these characteristics, the fisheries cooperative must perform the function not only as a producer cooperative but also as a consumer cooperative. In order to respond to changes in the environment and consciousness surrounding fishermen, as well as to increase their income and rationalize their consumption activities, the NFFC implemented the business of supplying fishery items.

2) Legal basis

The basis of the business is the Suhyup Act but the acts to perform government business include Article 13(3) (Fishermen's Duty to Manage Fishing Grounds) of the Fishing Ground Management Act, Article 5 (Specification of Fishing Buoy) of the Enforcement Rule, Article 86 (Subsidiaries, etc.) of the Fisheries Act and Article 72(12) and (16)(Projects Subject to Subsidiary), Article 27 (Use of Environment-Friendly Fishing Implements) of the Fishery Resources Management Act and Article 15 (Development of Environment-Friendly Fishing Implements and Expansion of Use of such Fishing Implements) of the Enforcement Decree of the Act.

D. Supply of fishery equipment

1) Definition

In the 1960s, Korea's fishery industry was small-scale due to the poor condition of fishing vessels and fishing facilities even though fish resources were abundant with 3 sides of Korea being surrounded by ocean. At that time fishing vessels did not have

motor or small wooden boats with a small motor. Motorized boats had low efficiency and native way of fishing was applied to the fishing facilities.

This project is in line with the economic development plan due to the nature of the government commissioned project, which is part of the national-level fishing vessel modernization work for the enhancement of fishing productivity through the improvement of the pre-modern small fishery structure and the increase of the income of fishermen.

It can be said that the fishery equipment supply business started from the improvement business of fishing boats and fishing gear (equipment). This is because the government commissioned the Fisheries Cooperatives to jointly purchase equipment for ships necessary for the replacement of fishing vessels (power improvement), equipment and facilities improvement, machinery supply business for fishing boats, and replacement of old fishing boats (fishing vessel construction) through Suhyup.

In addition, as part of the fishing vessel modernization plan, the government promoted the equipment improvement project for fishing vessels. After 1982, the main body of support was switched from government to the National Federation of Fisheries Cooperative and the project has been continuously implemented. The fishing vessel engine replacement project is a business that converts non-motorized fishing vessels into motorized engines and converts outdated engines into high-efficiency diesel engines. This contributed greatly to the improvement.

2) Legal basis

This business is based on the type of business under the Suhyup Act. The acts to support the business by Suhyup include the Fisheries Act, Act on the Restructuring of and Support for Coastal and Inshore Fisheries, Fishing Vessels safe fishing operation Act, Fishing Vessels Act, Subsidiary Management Act and Ministry of Oceans and Fisheries Act on the Management of National Subsidiary and Administrative Rule Article 349 (Those Subject to Wireless Facility) of the Fishing Vessels Equipment Standards.

2. Business implementation structure

The purchase business information system is the key system which manages tax-free oil, equipment and fishery items and real-time monitoring are possible with the purchase of business information system.

In December 2009, the existing purchase business information system was enhanced to improve convenience of member cooperatives and strengthen the prevention of illegal distribution of tax-free oil by using statistical data, monitoring illegal distribution of tax-free oil, and linking information such as changes in shipping vessel and resident registration by the government.

In January 2010, a regular monitoring system was established and based on the system operation results in the first half of 2010, a system upgrade was promoted such as development of new monitoring items and operation methods. In 2020, improvement of system instability due to degradation of the current system, strengthening production activities of fishermen by providing tax-free oil stably and equipment supply and tax-free oil supply were promoted by exchanging information in real time with relevant ministries. It was the informatization strategic plan (ISP) to establish the tax-free oil purchase business information system as part of the support for guidance projects of the Ministry of Oceans and Fisheries.

The government (Ministry of Oceans and Fisheries) is supporting the supply of safety equipment for fishing boats to prevent and respond to accidents as part of the 'Fishing Vessel Accident Prevention System Establishment' project. Local governments establish and implement detailed business plans based on the project implementation guidelines of the Ministry of Oceans and Fisheries.

In addition, subsidies are provided when replacing old engines mounted on inland fishing boats with electric thrusters through the 'Electric Propulsion Supply Project'. The main body of the project is the Ministry of Oceans and Fisheries, and the NFFC strengthens publicity and guidance for fishermen to recruit business operators and desired consumers, concludes a joint purchase unit price contract for each type (equipment) required for the project, and notifies the local government and the Ministry of Oceans and Fisheries regarding the information.

The government (Ministry of Oceans and Fisheries) is supporting the dissemination of certification buoys to prevent environmental pollution caused by the use of expandable polystyrene (EPS) buoys in coastal fisheries and to establish a safe aquatic product supply base as part of the 'eco-friendly fishing gear supply' project.

In addition, the government (Ministry of Oceans and Fisheries) is promoting 'eco-friendly energy saving equipment' that replaces outdated engines, equipments, and facilities for fishermen in the coastal sea in order to prevent marine accidents and improve fishery management by reducing fishing expenses, prevent marine accidents, and create a stable fishing base. NFFC serves as an auxiliary executing agency to publicize and guide fishermen to announce the recruitment of business operators and to recruit desired consumers, and conclude a joint purchase unit price contract for each type (equipment) required for the business with the suppliers.



Training for those in charge of oil business in October, 2020

3. Development process

A. Supply of tax-free oil for fishing

NFFC has made efforts to provide oil to fishing vessels by making a proposal to the government and the National Assembly for 3 years after its establishment to 1964. It started with the adoption of the resolution to protect the rights of fishermen by the heads of cooperatives across the nation in February 1964 and claims to the National Assembly by the national fishermen emergency response committee formed in January 4, 1964.

At the next regular general meeting of the NFFC, all the heads of fisheries cooperatives across the country adopted a proposal for a large-scale national assembly and a resolution for a general uprising to put this proposal into practice. As a result, on May 1, 1965, oil direct distribution business for fishery was finally implemented.

Accordingly, in May 1965, Ulsan oil office was opened in Ulsan, an oil industry base, and gas stations were installed in 22 major fishing ports nationwide to start supplying at a price 15% cheaper than the market price.

Efforts to continue to provide tax-free oil continued, which led to successful amendment of the Tax Exemption Regulation Act enacted in 1965, and from January 1, 1972, a full petroleum tax exemption for heavy fuel oil, B oil, A oil and diesel oil, etc. From January 1, 1972, duty-free oil was supplied only to fishing vessels offshore. Then, from April 1975, the tax-free application was applied to lubricants as well.

With the amendment of the Tax Exemption Regulation Act on January 1, 1978, the special consumption tax and value added tax were exempted, realizing a tax-free oil supply. In 1983, the scope of tax-free oil supply was expanded from permitted fishing vessels to all coastal fishing vessels including licensed and registered fishing vessels.

In order to support oil to remote islands, the oil supply fund based on the financial resources raised by fees from the NFFC and member cooperatives was created and the fund supported the tax-free oil to fishermen in remote islands, contributing to balanced development.

From June 11, 1989, the number of oil types was expanded to six by supplying also duty-free gasoline to reduce the tax burden on fish farm management ships, and on September 1, 1989, an oil office was established and operated in Daesan-myeon, Seosan-gun, Chungcheongnam-do to efficiently supply tax-free oil to fishermen.

From January 1, 1990, tax-free oil was used as fuel for heating facilities for locker rooms of people working for fishery without an oxygen feeder. It is meaningful in that the scope of tax-free oil supply was expanding from fishing vessels to convenient facilities for fishermen.

Moreover, the frying and drying facilities for seaweed and squid operated directly by Suhyup were included in the scope of tax-free oil supply, expanding the scope of tax-free oil supply to basic facilities for fishery production.

The efforts to expand tax support and scope of tax-free oil for fishing have been continued, achieving continuous results.

The oil business of NFFC faced a critical phase with the oil price liberalization which started in January 1, 1997. It means that the passive pricing system under which the tax-free oil was purchased and supplied from oil refineries with the price announced by the government was changed to a pricing system where the NFFC was able to determine the purchase price based on price negotiations.

Accordingly, NFFC conducted competitive bidding targeting 5 refineries in Korea after April 1997 to purchase and supply oil for fishing operations at a much cheaper price than previous prices. It contributed to the reduction of fishing operation expenses significantly by achieving benefits for tax-free oil for fishermen and realizing additional benefits from the bidding process.

Since January 12, 2006, the Yeosu reservoir with a total capacity of 220,000 drums has been operated in order to stabilize the price of fishery oil by flexibly responding to rising oil prices and to provide a timely and stable supply to fishermen. It is contributing greatly to the stabilization of oil prices for fisheries by carrying out flexible stockpiling and supply operations according to fluctuations

B. Supply of fishery items

In the 1960s, Suhyup was established, and the Korean economy continued to grow rapidly while establishing and promoting five economic development plans, resulting in an improvement in the quality of life of fishermen.

In particular, in the 1970s, the Saemaul Movement under the slogan of diligence, self-help, and cooperation was held nationwide, and the fishing village society also brought many environmental and conscious changes. At this time, the government came up with comprehensive measures to improve the distribution structure in February 1975 for rural residents, who were disadvantaged when purchasing daily necessities.

In line with this, Suhyup also signed a direct purchase contract with the manufacturer and have implemented a fishery materials purchase project in January 1976 to stably supply high-quality products under the most favorable conditions for fishermen.

With the revision of Fishing Grounds Management Act, enacted on January 28, 2000, on December 28, 2006, regulations on the use of buoys to prevent environmental pollution in coastal fishing grounds were specified and measures were taken to develop and expand the use of environmentally friendly fishing gear with the enactment of Fisheries Resources management Act.

In 2005, the National Institute of Fisheries Science developed biodegradable fishing gear for the first time in the world, and since 2007, the NFFC, a support project partner organization, has been supplying biodegradable fishing gear in earnest since 2011.

In addition, the government established certification standards for improved certification buoys (eco-friendly buoys) in 2014 and distributed and supported certification buoys since 2015, and the National Federation of Fisheries Cooperatives, a support project partner, signed a joint purchase price contract with producers through its own price survey and have supplied certification buoys.

Among the fishery item supply projects, the eco-friendly fishing gear (biodegradable fishing gear, certification buoy, etc.) is a government-supported project that prevents marine pollution contamination by indiscriminate dumping of nylon waste nets and low-density buoys in the sea, and has contributed to the protection of marine resources and the reduction of inconvenience in using fishing gear.

C. Supply of equipment for fishing

The Korea-Japan Fisheries Agreement took effect on December 28, 1962, and the Fisheries Agency was launched on March 3, 1966, and after the normalization of Korea-Japan diplomatic relations, the power improvement project was actively carried out and began in full swing.

In the early days of the project, demand was secured or decreased due to a lack of awareness of fishermen, lack of precise diesel engine manipulation technology, poor products, and poor institutions, but after the normalization of Korea-Japan diplomatic relations, the fishing boat replacement project began to be activated.

In the 1970s, the power improvement project was promoted more actively, and in particular, it contributed greatly to the improvement of the fishing economy by reducing energy, securing mobility, and improving operational efficiency by including alternative projects for old institutions. In particular, in line with the government's policy of localizing machinery, it contributed greatly to the localization of fishing boats and the improvement of the performance of domestic engines by suppressing imports except for high-speed engines.

In particular, NFFC jointly purchased these to promote the convenience of end users by reducing institutional purchase costs, developing a post-service system for manufacturers, and signing unit price contracts for each model. In 1984, NFFC supported the power improvement project.

The types of equipment improvement targets are classified into navigation equipment for fishing boat safety, fishing equipment for productivity improvement, and other auxiliary equipment, such as radio, radar, and GPS for fishing boat safety, and fishing equipment includes a net hauler, line hauler and automatic angling machine.

The radio equipment improvement project was created to contribute to an increase in fishing by preventing marine accidents and providing fish situation information. In particular it continued as an annual project, making it mandatory to install power lines and non-powered ships of 5 tons or more for security purposes such as preventing fishing boats from being hijacked.

The radio installation project is one of the most policy projects among the equipment improvement projects, and it was promoted as a 30% subsidiary project until 1970, and by the 1970s, subsidies were expanded to 50% to induce installation on all fishing boats to small coastal ships.

On December 31, 1977, the Fishing Vessels Act was enacted to specify the facilities (instruments, communication facilities, lifesaving, firefighting, residential, sanitary equipment, and navigation equipment), and to provide the basis for conducting necessary design tests and research to improve the safety and performance of fishing boats. After that, on May 27, 2009, a provision was newly established to equip fishing boats with wireless facilities through the revision of the same law.

On July 14, 2011, the Fishing Vessels Act was revised to add regulation on the installation of location information sending device for vessels, automatic reporting of port entry and departure of fishing vessels, new provisions 5(2) (Ship Location Transmitters Equipment for Fishing Vessels and on July 25, 2011, Act on the Restructuring of and Support for Coastal and Inshore Fisheries was enacted to specify the improvement of equipment and facilities for energy saving or improvement of safety and performance and support for expenses.

Section 3. Use and Processing Business

1. Overview

A. Significance

The use and processing business of NFFC is an essential core project in the process of producing, distributing, and final sales of fishery products, maintaining and improving marketability through freshness management, storage, and processing of fishery products.

It is divided into the use and storage businesses such as ice making, freezing, refrigeration, and the processing businesses to enhance the added value of products and make products in the form desired by consumers. It aims to secure the safety of exports and domestic products by establishing a safe and fresh seafood supply system and supporting storage facilities.

In the early days of Suhyup, the freshness management of fishery products such as ice making, freezing, and refrigeration was the main focus, and it could be divided into transportation business sectors such as oil tankers and refrigerated vehicles, and ship equipment maintenance shops. All of these projects have been expanded and developed along with the expansion of Suhyup's sales business, auction, meal service business, and oil supply business.

B. Legal basis

The basis for the use and processing business of Suhyup is under the Suhyup Act. In other words, it is stipulated that Suhyup is able to operate processing, treatment and manufacturing businesses for members and cooperatives, joint businesses and purchase, storage, sales and manufacturing businesses for member cooperatives and their members.

The acts to support the project include the Fishery Products Distribution Management and Support Act, Seafood Industry Promotion and Support Act enacted on February 18, 2020, which was separated from the Food Industry Promotion Act in order to nurture the seafood industry as a high added value and new growth industry, and the Special Act on Balanced National Development and Fisheries Act.

C. Status of facilities, etc.



Completion ceremony for Incheon processing and logistics center in April, 2011

In 2012, NFFC had 2 ice-making and freezing facilities (Incheon, Gamcheon logistics centers) at the production sites and six facilities (Gyeonggi Bukbu, Gangwon, Cheonan Logistics Center, Gangseo, Gwangju, and Jeonju Public Offices) at consumption sites. In 2021, the Incheon FDC and Honam region FDC were added to make NFFC operate 3 places in production areas and 7 at consumption areas and member cooperatives operate 97 places. As of 2021, NFFC operates production site processing facilities at Incheon and Gamcheon logistics centers and consumption site processing facilities at Gwangju and Jeonju auction houses. Member cooperatives operate 42 production site processing facilities.

2. Business implementation structure

An applicant who intends to use the storage facilities of the NFFC shall submit an application for use and storage. After receiving the application for use and storage, the manager in charge shall form a contract according to "Contract for Use of Cold and Frozen Storage Facilities". In the event of competition for applicants, the priority shall be in the order of NFFC, member cooperatives, fishing village, member of member cooperatives, middlemen and trader, and non-members.

The person in charge of processing production shall comprehensively review the sales plan, current inventory, safety inventory holding standards, and quantity required for each business department to establish a purchase plan for raw materials and subsidiary materials for processing production.

For the purchase of raw materials for processing, dedicated purchase department shall be in charge of coastal fish that is caught many times, deep sea and imported fish. However, in case of multiple items with small number of fish or urgent purchase is required, NFFC may purchase by itself through a subsidiary, member cooperatives, middlemen designated for purchase by NFFC and distributors.

The purchase of subsidiary materials and packaging materials shall be made by integrating a large number of subsidiary materials and packaging materials commonly used in the NFFC the competent department in charge of processing. However, subsidiary materials, etc. of small amounts and many varieties may be purchased directly under the responsibility of the management manager.

In principle, the production of processed products is self-produced. However, if the person in charge of management deems it necessary, processing may be entrusted to be performed at the same time.

3. Development process

In the early days of Suhyup, ice making facilities were limited to Incheon, Gunsan, Jumunjin, and Pohang, as the NFFC acquired and operated various facilities of fishing operation bases located in Yokjido Island in Gyeongnam, Seongsanpo in Jeju, and Geomundo in Jeollanam-do, the number of ice-making factories increased from 4 to 8.

Subsequently, the National Federation of Suhyup transferred the Pohang ice making plant to its member cooperative in 1969 and transferred the vessel equipment repair shop, Gunsan, and Jumunjin direct ice making plant to its respective member cooperatives in 1972, to nurture cooperatives and promote convenience of fishermen.

The transportation business called the use of oil tankers was added in 1965 to simplify the processing business of ice making, freezing, and refrigeration in 1970, a refrigerated vehicle transportation business, a low-temperature transportation facility for marine products, was added. In addition, during this period, in order to promote fishermen's production activities and support technical aspects of ship repair problems, equipment repair shops were established in major fishing ports nationwide and were promoted as part of the utilization project.

The refrigerated car operation project which was conducted for 7 years from 1970 to 1976, stopped in 1977 when the Seoul auction center opened and oil tanker operation was promoted as part of the materials business. The use and processing business of NFFC is divided into ice making, freezing and cold storage businesses and processing businesses that started with the establishment of the fishery processing plant in Incheon auction center on October 13, 1997 and opening of Gamcheonhang logistics center on March 19, 1999.

Section 4. Price Stabilization Business

1. Overview

A. Significance

The fishery product price stabilization project refers to both the government stockpile project supported by the fishery development fund for the purpose of increasing prices for fisheries and stabilizing price for consumers by adjusting the supply and demand of catch and purchase support project of NFFC and member cooperatives. They have the same goal with differences in support methods. The government stockpile business was subsidized by the government and purchase support business is based on a loan project.

The government stockpile business purchases and stockpiles fishery products during the main production period to secure supply and stabilize price and sell, dispose or export the stockpiled fishery products during non-production and high demand seasons. In addition, the fishery products in short supply are imported and stockpiled for sales and disposal and the business is commissioned from the government to the NFFC.

Through these government stockpiling projects, Suhyup supports fishermen's income by directly purchasing mackerel, pollack, and squid, which contribute to the national diet and have high price fluctuations during the high production season to support the fishing villages and income increase of fishermen and promotes price stabilization through a consumption wholesale market and B2B biddings during the time when demand is expected to rise such as lunar new year's holiday and Chuseok holiday seasons.



Agreement on fishery products supply in February 1969

B. Legal basis

The legal basis of the project is Article 60 (Business) paragraph 1(2) of the district level Suhyup regarding fishery product distribution adjustment and stockpiling business, Article 107 (Business) 1(2) of the industry specific Suhyup related to fishery products distribution adjustment and stockpiling business, Article 112(Business) 1(2) of the fishery product processing Suhyup related to distribution adjustment and stockpiling business, Article 138 (Business) 1(8) of the NFFC related to business commissioned or supported by the government and public associations.

The acts to support the project are Article 49 (Purpose of the Fund) of the Framework Act on Fisheries and Fishing Villages Development, Article 41 (Stockpile Programs, etc.) and Article 42 (Support for Fisheries Products Private Purchase programs and release Orders) of the Fishery Products Distribution Management Support Act.

2. Business implementation structure

The executive body of the government stockpile project is the Ministry of Oceans and Fisheries, and the organizing party is NFFC. The Ministry of Oceans and Fisheries determines the fund operation plan after establishing a business plan based on discussion and then the ministry delivers the policy and fund allocation. Then Suhyup purchases fishery products and the products purchased are inspected by the National Fishery Products Quality Management Service. The inspected products are stored by Suhyup and after the Ministry of Oceans and Fisheries delivers the sales policy, Suhyup sells the products on traditional markets, etc.

The promotion of the purchase support project is carried out separately by the Ministry of Oceans and Fisheries in consideration of production and supply trends in the current year. NFFC (including subsidiaries), producers' organizations such as regional, industry cooperatives, fishing villages, and seafood processing and distribution companies, are subject to support. The selected institutions are supported by the NFFC or Suhyup Bank.

3. Development process

Since the early 1970s, the price of aquatic products from the coastal waters has been on a downward trend compared to other prices due to the impact from the North Sea catches that have been imported into Korea since the early 1970s.

In 1970, according to the Act on the Agricultural and Fishery Products Prices Stabilization Fund Act, the government stockpiling project started in 1970, and Suhyup acted as a substitute for the fishery product price leveling project under Article 65 of the Suhyup Act. As the handling items are mainly dried products such as laver, dried squid, and dried anchovies, the direct benefits to fishermen who produce fresh fish was minimal.

Therefore, the fisheries cooperative enacted the Regulation on Fishery Product Price Support on August 13, 1975 to raise the price of producers and fishermen and exclude the profits of middlemen, apart from the government stockpile business, and implemented the 'fishery product price support project'. However, at the beginning of the project, there was a limit in operating with the limited funds of the Suhyup. However, the Act on Distribution and Price Stabilization of Agricultural and Fishery Products, promulgated on December 31, 1976, was enacted on July 1, 1977 and supported by the government's agricultural and fishery products price stabilization fund in accordance with this law to promote business activation.

The Act on Distribution and Price Stabilization of Agricultural and Fishery Products enabled the support of the fund to private companies so private stockpiling businesses were conducted for frozen food storage, canned food processing, storage and processing food export companies to contribute to price stabilization. The fund support was provided through Suhyup and purchase performance and post management were also handled by Suhyup.

In the 1990s, the handling items were mainly dried products, but in 1993, frozen mackerel, and from 1994, frozen fish, frozen cutlass, etc. were expanded.

In the 2000s, the government stockpile project to stabilize the price of aquatic products expanded the purchase of items such as frozen imported mackerel, frozen imported pollock, frozen pelagic squid, live fish (trout, sardines, Northern Chinese softshell turtle), and mackerel. Since the 2010s, as the number of items has decreased, the main purchase items were frozen squid, frozen mackerel, frozen raw fish, frozen pollock, and frozen cutlassfish.

The fishery part was separated from the Act on Distribution and Price Stabilization of Agricultural and Fishery Products to establish the Act on Distribution and Price Stabilization of Fishery Products on March 27, and the Framework Act on Fisheries and Fishing Villages Development was enacted on June 22, 2015 for the purpose of promoting sustainable development of fisheries industry and fishing villages.

Chapter 3

Mutual Aid Business

1962

2022

Section 1. Overview

1. Significance

Mutual aid refers to an economic system in which a large amount of people are at risk of the same kind of issue are guaranteed a relatively small burden by combining and sharing certain costs. In other words, it refers to the combination of a number of economic entities to pay a small amount calculated in a probabilistic manner and to eliminate economic anxiety by receiving sufficient funds in the event of an actual accident.

Mutual aid is an economic means that conform to the spirit of the cooperative, "one for all, and all for one," and generally has the following effects.

First, it guarantees risk as the most important effect of mutual aid. In other words, mutual aid prevents misfortunes that may cause economic collapse due to unexpected disasters and have the function of preparing funds that will be necessary for in case of accidents.

Second, it has the effect of saving. Savings are taken out little by little through many hardships, but mutual aid is a way to make and pay for target assets first, so they have a short-term savings function as well as a long-term savings function to prepare for difficult times.

Third, mutual aid has the effect of credit increases. Upon subscribing for mutual aid, a subscriber pays a small amount of mutual aid fee but a large amount of investment property is formed by combining a large number of economic entities, and this fund forms a new large-scale economic unit by intensive investment management, and the result of the operation increases the subscriber's credit.

2. Characteristics

First, the characteristic of the Suhyup mutual aid is, in principle, targeting fishermen and cooperative members who are scattered locally. However, depending on the mutual aid product, the general public, who are also a non-cooperative member, can also use the Suhyup mutual aid products.

Second, Suhyup mutual aid has a fundamental purpose of compensating for economic losses caused by accidents to fishermen who are economically weak, so the application of the Insurance Business Act can be excluded under Article 12 of the Suhyup Act, and Suhyup can implement businesses of life insurance, indemnity insurance and property as well as mutual aid.

Third, Suhyup must establish mutual aid regulations and obtain approval from the Minister of Oceans and Fisheries, and the mutual aid regulations include implementation of mutual aid projects, mutual aid contracts, fees, liability reserves for mutual aid projects, and other matters related to reserves.

In addition, the Minister of Oceans and Fisheries shall establish and notify the standards necessary for supervision in consultation with the chairman of the Financial Services Commission in order to soundly foster fisheries mutual aid projects and protect contractors.

Fourth, Suhyup is entrusted with the government's work under the Fishermen and Fishing Vessel Accident Compensation Insurance Act, the Agricultural and Fishery Workers' Safety Insurance and Safety Accident Prevention Act, and carries out policy insurance projects for fishermen.

3. Business implementation structure

In order to smoothly promote the Suhyup mutual aid business, NFFC has a mutual aid insurance headquarters and a policy insurance department, and has nine regional headquarters in charge of the mutual aid insurance of cooperatives in the jurisdiction.

Most of the 90 cooperatives have mutual aid departments and do mutual financial business through their jurisdiction, and Suhyup Bank handles mutual aid insurance on behalf of them through its branches, and 8,391 people who promotes Suhyup mutual aid products actively.

4. Types of mutual aid business

A. Life insurance

Life insurance products are divided into guarantees, savings, and pension insurance according to the purpose of taking out the mutual aid products. The coverage insurance is an insurance that covers the accidents such as incidents and death related to daily life or diseases. It covers the cost of surgery and diagnosis. Savings insurance is useful for preparing various types of lump sum money for short, medium, and long-term periods such as marriage funds and housing, and pension insurance pays pensions from a certain age after paying a mutual aid fee for a certain period of time.

B. Non-life insurance

Non-life insurance is divided into fire insurance and other insurance depending on the purpose of taking out the insurance. Fire insurance covers the damage to housing and buildings (factory) from various disasters and the subject of insurance includes buildings, fixtures and furniture that could be lost from an unexpected fire.

Other insurance covers the liability such as identity guarantee, executive's liability, product liability, shipping mutual aid and construction work mutual aid and other types of guarantees and liabilities.

C. Policy insurance

Policy insurance is divided into the insurance for fishers and fishing vessels and fishermen's safety insurance. The insurance for fishers and fishing vessels was consigned from the government under the Act on Accident Compensation Insurance for Fishers and Fishing Vessels to Suhyup since January 1, 2004 and Suhyup operates the policy fund to cover the damage related to fishing operations from various kinds of accidents.

D. Aquaculture fishery product accident insurance

Aquaculture fishery product accident insurance is the policy insurance run by NFFC as an insurer under the Aquaculture Fishery Accident Insurance Act established in 2007 in order to stabilize businesses of fishermen and promote income stabilization by compensating the damage on aquaculture business from natural disaster.

Aquaculture fishery accident insurance covers damages caused by loss, death and damage of aquaculture products and aquaculture facilities by natural disasters such as typhoons (strong winds), tidal waves, wind waves, red tide, heavy rain, floods, heavy snow, frozen sea, and abnormal tidal waves.

Section 2. Development Process

1. 1930s~1950s

The first mutual aid service was a fishing vessel mutual aid service that started with the establishment of the Federation of Joseon Fishery Cooperatives and the Joseon Fishery Industry Association succeeded the fishing vessel mutual aid service under the master plan for fishery associations in March 1944 but the service was suspended when Korea became independent.

After that, the government let the Korean Federation of Fishery Industry provide fishing a vessel mutual aid service by providing a government subsidy of 16,250,000 Hwan as part of the fishing vessel subsidy. Accordingly, the Korean Federation of Fishery Industry started a fishing vessel mutual aid service in December 1954 and mutual aid service was separated as a special accounting. Mutual aid for crew members started in May 1958 to guarantee the livelihood of bereaved families or crews with disabilities and promote safe fishing operations for ship owners if a crew member is dead or missing or became disabled person due to a maritime accident.

2. 1960s

On April 1, 1962, Suhyup's mutual aid secretariat took over fishing vessel mutual aid and crew mutual aid from the Korean Federation of Fishery Industry as soon as Suhyup was established. In 1963, fishing vessel maturity mutual aid was provided. In 1966, the organization was expanded to the mutual aid department to expand the foundation for mutual aid service.



Departure ceremony for a hospital ship in March 1977

In June 1967, mutual aid for facilities was provided and in April 1969, mutual aid for fishing gear was provided.

3. 1970s

Up until the 1960s, mutual aid service had been focusing on supporting losses for fishing vessels, crew members and facilities but in the 1970s, life insurance services were provided, laying the foundation for growing into a comprehensive mutual aid business entity.

Mutual aid for benefits and children started in March 1970 and mutual aid services for savings, welfare and education were developed and provided as part of a new life insurance service in November 1978 and mutual aid service for fishing vessel buildings started in July 1979.

4. 1980s

As unstable interest rates continued from 1982 to 1984, the life mutual aid services were developed further to respond to the situation and strengthen competitiveness of mutual aid services, resulting in the launching of 9 new life mutual aid products including short-term savings mutual aid.

In the meantime, regarding mutual aid for damages, the underwriting of the existing fire mutual aid service was stopped in September 1983 and it was replaced by a common fire and house fire mutual aid and mutual aid for identity guarantee and special mutual aid for crew members were developed and launched.

5. 1990s

In order to expand the foundation for mutual aid service of member cooperatives, a mutual aid department was established in all cooperatives on March 31, 1992. On October 2, the sales network of mutual aid products was expanded by allowing the handling of life mutual aid service at mutual finance branches of member cooperatives.

25 full-time staffs dedicated to mutual aid service were assigned to the credit business branches of NFFC located in Seoul and a dedicated solicitor system was introduced in mutual aid product sales branches. In March 1997, the mutual aid business group was established as the entity that sells mutual aid products of the NFFC in Seoul, Daejeon and Gwangju but it was closed in February 2001 due to degrading balances as a result of the financial crisis.

With the full-scale online service of welfare savings mutual aid on October 27, 1992, the comprehensive online service for damage such as mutual aid for fishing vessels and mutual aid for crews were developed on October 2, 1993. In 1994, the rainbow mutual aid, welfare mutual aid and other life mutual aid services and mutual aid for damages such as common mutual aid for crews and fire were provided online, completing the digitalization of mutual aid services.

For the convenience of mutual aid fee payment, an automatic transfer system was implemented on July 1, 1999 to make it possible to pay mutual aid fees from the demand deposit of all financial institutions and the mutual aid fee payment system by note was introduced on August 1, 1999.

In order to lay the foundation for Suhyup-led business in the 21st century and establish the status of Suhyup as a cooperative insurance which focuses on business, convenience and benefits of fishermen, a 3-year leap forward movement for mutual aid service was promoted from 1999 to 2001.

Through this movement, the mutual aid fee achieved KRW 455.4 billion, which is 106% of the target amount of KRW 430 billion. In addition, 1,623 store life planners were appointed along with sales at stores. Fishing vessel mutual aid and life mutual aid campaigns were conducted to spread the atmosphere of subscribing for mutual aid services, the mutual aid business achieved outstanding growth, increasing stability of mutual aid products by taking out re-insurance and improving security capacity.

6. 2000s

A. 2nd leap forward movement for mutual aid service

When Korea was under IMF management in late 1997, a large amount of loss was generated in 2000 due to installation of reserves to improve transparency of the accounting system and bond market value evaluation system. Business faced difficult times due to taxation of mutual aid profit (interest from mutual aid fee) of savings life mutual aid products of member cooperatives since January 2002. To overcome such difficulties, Suhyup Insurance Two by Two movement, which is a leap forward movement for mutual aid service was conducted from 2002 to 2004. Thanks to this movement, the external competitiveness of mutual aid products was elevated a step higher and the contracted amount was KRW 10.2079 trillion, which is 110% of the target of KRW 9.3 trillion. The mutual aid fee was KRW 236.8 billion, 83% of the target amount of KRW 285.8 billion.



Reporting evaluation of TWO by TWO movement on February 27, 2004

B. Preparation for bancassurance

To respond to bancassurance, Suhyup entered the new insurance market actively by developing and selling security loss compensation mutual aid service in partnership with Samsung Fire & Marine Insurance, a private insurer, on December 5, 2000. In 2003, the special products such as injury mutual aid for fishermen, medical health benefit mutual aid, pension mutual aid, super savings mutual aid IV and product liability mutual aid were developed and sold.

In 2005, Suhyup moved away from existing business methods of targeting individual customers via counter to enter the group insurance market targeting government officials and private companies, attracting government organizations such as the Korea Army Headquarters, the Ministry of Labor and the Ministry of Environment and private companies such as Pacific Ocean and Kyongnam Bank as customers.

C. Conducting policy insurance business

Accident compensation insurance for fishers and fishing vessels were conducted based on the Act on Accident Compensation Insurance for Fishers and Fishing Vessels starting from January 2004 and as of 2021, 15~71% of paid insurance is supported from the national treasury for accident compensation insurance for fishers and fishing vessels in order to protect small-scale fishermen. 3.9~86.2% of subsidy is provided depending on the size of fishing vessel and based on the local government budget. For accident compensation insurance for fishing vessels, 15~71% of paid insurance fee is supported by the national treasury as of 2021 and 1.5% to 65.5% subsidy is provided by local government budget depending on the size of fishing vessels.

D. Insurance fo aquaculture

The aquaculture insurance business started to prepare for natural disasters of aquaculture fishermen with a pilot project of flatfish aquaculture insurance on July 1, 2008. The aquaculture fishery disaster insurance is an insurance policy where Suhyup is designated as the insurer according to the Agricultural and Fishery Disaster Insurance Act. The insurance compensated damage from natural disasters such as typhoons, storms, tsunamis and red tide in 2008.



Damage by red tide in August, 2021 (Anmyeondo Island)

This insurance compensates for damages from natural disasters such as typhoon, strong wind, red tide and high sea temperature and is a policy fund where part of the insurance premium that is supposed to be paid by the policy holder is supported by the government. It is a national reinsurance where the state covers the damage that exceeds a certain level.

E. Reshaping the organization and expansion of professionals

In 2002, the cooperative fund department was established to exclusively manage mutual the aid fund and in 2004, mutual aid insurance branches (6 places) were established on the fishery sites. From 2008, 6 member cooperatives by region were selected as base cooperatives for mutual aid insurance, making them serve as the base for promoting the mutual aid business of member cooperatives. Since 2009, 8 cooperatives have played the role of leading cooperative for mutual aid insurance.

In 2002, 1,824 store life planners were appointed and mutual aid insurance branches directly managed mutual aid solicitors. In 2005, a mutual aid product counselor system was introduced and in 2006, mutual aid life planners were hired to expand the professional sales force. In addition, a mutual aid leaders' club has been in operation since 2005 and a group of people who love mutual aid service has been in operation since 2007, upgrading the mutual aid insurance sales capability of Suhyup employees.



Mutual aid leaders' club workshop in May 11, 2006

7. 2010s

A. Opening the next-generation computer system

The next-generation computer system for mutual aid service was launched in 2010 and the mutual aid basic systems and mutual aid ALM system were introduced in November, 2010. In 2012, the system for liability adequacy test (LAT) and embedded value (EV) was established, laying the foundation for the digital mutual aid insurance business.

B. Implementation of medical rehabilitation system for fishermen under industrial accident insurance

1) Pilot project for rehabilitation benefits of fishermen's insurance

If the aftereffects of diseases or fishermen with disabilities whose care is completed, are aggravating or are at risk of complications that require regular observations and medical treatment to prevent the symptoms from getting worse, the rehabilitation benefit was selected as a pilot project to maintain their capability to work, help them rehabilitate and return to society smoothly.

2) Preventive management such as complications

This project is aimed at those who need care for reasons of complications, etc. among fishermen who suffered an accident and are recovering from injury or disease to get treatment at designated medical institutions and receive preventive measures and support relevant expenses according to the Act on Accident Compensation Insurance for Fishers and Fishing Vessels.

Those who received disability benefits due to occupational injury or disease and who are recognized as eligible to receive preventive management such as complications by the NFFC and those who are determined eligible to receive preventive management such

as complication management after getting advice from an advisory doctor, are able to receive examination and care at the medical institutions, receive medicine, prescription of materials, treatment except for surgery, physical therapy, procedure and transportation costs for outpatient care or other medical treatments for preventive care purpose.

C. Expansion of insurance business for aquaculture

Abalone in 2010 and Korean rock fish, oysters and seaweed were added to the list of items subject to insurance for damage to aquaculture fishery products in 2011, and 6 sea-cage farm fishes (red seabream, black porgy, parrot fish, sea bass, filefish and rockfish) were added to expand the list of insurance types to 11 in 2012.

In 2013, mullet, sea pineapple, eel and sea mustard were added and flatfish, mussel and kelp were added in 2014. In 2015, trout, scallop and hijiki were added and in 2016, onomatopoeia, stalked sea squirt and pleated sea squirt were added. In 2017, turbot were added and in 2018, abalone seeds were added. As of late 2021, a total of 28 aquaculture fish are subject to disaster insurance and disaster insurance also covers aquaculture facilities for sea-cage farm fishes and aquaculture facilities for fish farms.

The types of disasters covered was expanded to include storms from the initial 4 types of disasters in 2010 and added heavy rain, flood, heavy snow, frozen sea, abnormal currents in 2011, lightning in 2012 and tidal waves in 2016. In 2019, the heavy rain, flood and heavy snow were excluded from coverage and as of late 2012, 13 types of disasters are covered by the insurance.

In June 2014, an insurance premium pre-payment system was implemented to make it possible to pay insurance premiums during the approval process and in 2018, the scope of coverage for damage was expanded. In 2020, the discount system for zero accidents was introduced and in 2021, security low salt was added. The basic product with a lower insurance premium burden and coverage of inability of aquaculture for oyster aquaculture were introduced.

D. Compliance support

In 2014, internal control standards were established to secure the financial soundness of the mutual insurance business, protect customers, and enhance external reliability, and a compliance officer system was introduced. In other words, legal risks are prevented in advance through internal controls, promotion of sound management of mutual insurance business, and ethical awareness of employees is improved through ethical management.

E. Disclosure of risk-based capital (RBC)

The mutual aid business of Suhyup began to disclose RBC from 2015. The ratio indicates whether an insurance company is able to pay insurance premiums on time to policyholders, and is an indicator that can judge the management status of an insurance company. According to the Insurance Business Act, financial soundness standards should be maintained at 100% or higher, but the Financial Supervisory Service recommends keeping it at 150% or higher. The financial soundness of the mutual aid business of Suhyup is 188.28% as of the end of 2021.

F. Fishermen's safety insurance

Fishermen's safety insurance has been implemented since January 2016 to compensate for injuries, diseases, disabilities, and deaths caused by fishing operations and to resolve the welfare blind spots of fishermen who are not covered by fishing crew insurance and industrial accident compensation insurance.

The state subsidy rate of the mutual aid fee was expanded from 50% to 70% in January 2019 in order to expand support for recipients of basic living support and those in the near poverty group.

G. Evaluation on reserve fund

Existing mutual aid fee reserves were accumulated using the scheduled rate and expected risk rate applied to the sale of mutual aid products, but there were cases where additional reserves were needed to pay mutual aid funds in the future due to falling interest rates and increased risk rates after selling deduction products.

In particular, with the introduction of International Financing Reporting Standards (IFRS), adequate reserve funds are evaluated to determine whether it can cover the future liabilities using the current estimation of the future cash flow of mutual aid contracts in February 2017.

8. 2020s

A. Introduction of depositor protection fund target

Under the Fisheries Cooperatives' Act on the Prevention of Insolvency and Structural Improvement, the cooperatives paid insurance premiums to the NFFC for depositor protection within three months after the end of each business year, and reduced insurance premiums when the fund's accumulation level reaches the target.

As of the end of 2019, the fund accumulation rate exceeded the upper limit of 0.96% of the target to achieve 1.15% and the upper limit of the target has exceeded every year since then so the insurance premium for depositor protection has been exempted.

B. Expansion of digital base

In 2020, an online cyber counter system was established to enable accident claims, price disclosures, and certificates to be issued online, and an 'electronic subscription system for sales support' was established to promote a convenient business environment to expand sales channels and upgrade digital systems. As a result, digital system were upgraded to expand sales channel where sales can be possible only with a tablet PC.



This system enables the one-stop service from coverage analysis, mutual aid fee calculation, subscription and payment and provision of information such as product recommendations through coverage asset remodeling, coverage analysis, terms and conditions and securities to customers in real time (Kakao Talk, e-mail).

In addition, the policy insurance system is strengthening the promotion of policy insurance by establishing a mobile web environment, and is also promoting the development to strengthen the competitiveness of digital banking of member cooperatives and increase profits, such as online mutual aid product sales and so on.

Chapter 4

Mutual Credit

1962

2022

Section 1. Overview

1. Significance

Mutual credit refers to the finance in which people with common ties such as people living in the same area or workers voluntarily create a cooperative and deposit their surplus fund to the cooperative and those who need funds to take be able to loan from the cooperative, which solves the problem of insufficient capital.

Suhyup mutual credit is intended to encourage fishermen to save and increase property, contribute to the formation of the fund of Suhyup and provide funds necessary for fishermen.

In addition, mutual finance plays an important role in establishing a foundation for the self-sufficiency of Suhyup by providing funds for education and guidance and economic projects which are unique businesses of Suhyup.

2. Characteristics

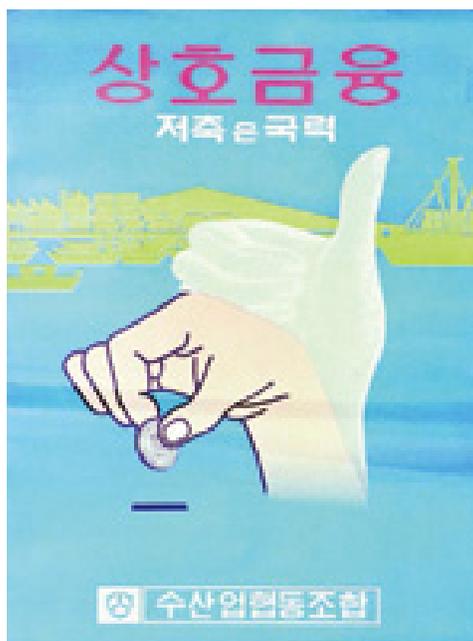
In general, mutual finance is basically the same as financial banking in terms of the nature of the business of receiving deposits and lending, but there are the following differences in that it is cooperative finance.

First, mutual finance is distinguished from financial bank for an unspecified number of people in that reciprocal finance is made between cooperative members, and the main transaction target is members, but quasi-cooperative members and non-cooperative members can use it within a certain range.

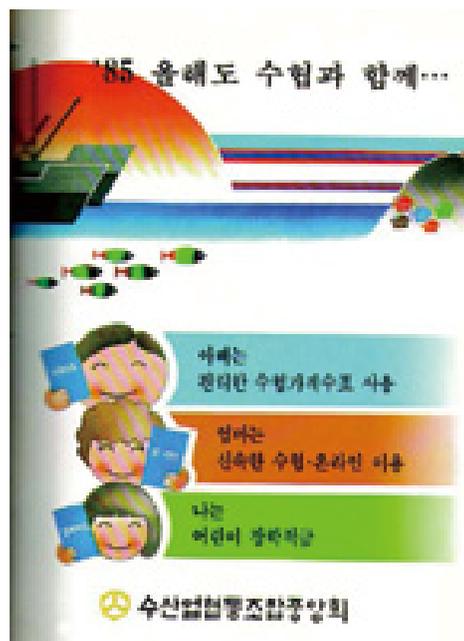
Second, mutual finance is based on personal trust between cooperative members, a large number of credit-based personal finance is made, communicated through the cooperative's systematic organization, and adjusted through NFFC.

Third, the interest rate of deposit is maintained at a higher rate than that of banks and the loan interest rate is also higher than that of the typical bank rate.

Fourth, mutual financial depositors are protected within a certain range by the NFFC's mutual finance depositor protection fund within a certain limit unlike other financial banking.



Suhyup savings advertisement in 1981



Suhyup savings advertisement in 1985

3. Business implementation structure

Suhyup has four headquarters, including a mutual financial headquarters, and about 90 member associations have 90 headquarters, 405 branches, and one branch office in order to carry out mutual finance business. As of the end of 2021, 153 out of 496 mutual financial branches, including the headquarters, are located in the Seoul metropolitan area.

4. Types of business

Member cooperatives shall perform protection services such as collecting deposits and installment savings of members, domestic exchange services, representatives of the state, public organizations and financial institutions, and storage of members' securities, precious metals, and important goods in accordance with Suhyup Act. On the other hand, NFFC operates and manages surplus funds and repayment reserves deposited from Suhyup, guides mutual finance, deposits and installment savings of member cooperatives, loans to member associations, financial affairs agencies such as the state, domestic exchange and foreign exchange affairs, payment guarantees and bill discounts.

A. Deposit service

Basically, it handles deposit services for members, but it also receives deposits from general customers who are non-cooperative members to the extent that it does not interfere with the use of services by members.

B. Loan service

Member cooperatives provide loans for necessary funds to members and loans for bill discounts, and loans to general customers who are non-cooperative members to the extent that they do not interfere with the use of loan by members.

Section 2. Development Process

1. Quickening period

The history of mutual finance can be found in traditional fishing industry activities, but modern mutual finance can be said to have started with the establishment of financial associations under the Local Finance Association Decree in 1907. However, under this system, fisheries finance was extremely scarce due to a lack of awareness of the fisheries industry, and even in the fishing association system during the Japanese colonial period, fishermen were forced to rely on private finance.

After liberation, fishermen still relied on private finance until the end of the 1960s, and the government promoted the enactment of the Mutual Credit Deposit Act and Credit Cooperatives Act to legalize private bonds and regulate similar financial organizations and private credit at rural and fishing villages through the Emergency Order on Economic Stability and Growth on August 3, 1972.

On August 17, 1972, the Credit cooperatives Act was enacted and promulgated, providing a legal basis for the Suhyup to conduct mutual financial business under the special provisions of Article 93. In accordance with the detailed plan of the KRW 1 trillion savings movement in rural areas from 1974 to 1980, preparations for handling mutual financial affairs were started in earnest.

2. Start

On June 10, 1974, the Jeju Suhyup and the Hanlim Suhyup handled mutual financial affairs for the first time, and in the first year of business, they recorded KRW 1.278 billion in deposits with 4 deposit products in 67 branches of 47 cooperatives.

On December 31, 1976, Article 14 (3) of the Suhyup Act was newly established to provide a legal basis for mutual financial business in the fishing village, and on March 18, 1978, the corporate fishing villages started a mutual finance business starting from the Yeosu Cooperative Yulchon fishing village on March 18, 1978.



Mutual finance branches in the 1970s and 1980s

3. Expansion of organization

On January 10, 1983, cashier's check issuance began, and on April 1, 1991, ordinary deposits, self-reliance deposits, and national stock subscription deposits were handled online. In addition, in 1993, the mutual finance department was separated and established from the deposit service department to work systematically and efficiently.

After the IMF system in 1997, the mutual financial depositor protection system was introduced in January 1998 as part of the depositor protection system, and at the end of 2000, the amount of deposits increased to KRW 6.2349 trillion.

On the other hand, with continuous increase in deposits by member cooperatives, it was necessary to operate funds other than loans. Therefore, the cooperative fund department was established in January, 2002 and it was expanded to the fund management division in 2018.

4. Strengthening the management of mutual finance

With the revision of the Suhyup Act in January 2001, the right to supervise and inspect mutual finance was transferred from the Ministry of Oceans and Fisheries to the Financial Supervisory Service, and the obligation to accumulate 100% of the reserves and disclose management was created.

In addition, the limit on loans to the same person was not allowed to exceed the limit prescribed by Presidential Decree within the range of 20/100 of the equity capital or 1/100 of the total assets by association.

The Ministry of Oceans and Fisheries raised the standards for establishing branches in accordance with the Suhyup Management Innovation and Rational Support Plan, and strengthened management of branches by designating branches that can provide financial services to financially vulnerable groups such as management improvement and cooperative members.

5. Establishment of a plan to develop mutual finance (5-year plan for Suhyup development)

In 2007, mutual financial development measures were established to strengthen the external competitiveness of mutual financial projects of member cooperatives and lay a stable growth base, with a goal of achieving 14 trillion won in deposits, 9.5 trillion won in loans, 7% in arrears, and 4% in internal reserves by 2012.



Award for achieving the goal of 5-year plan of mutual finance and management strategy council in February, 2013

A. Focus implementation area

1) Nurturing experts in mutual finance

In order to nurture professional manpower related to the finance of NFFC, employees belonging to the mutual finance business of the Federation, who joined after the signing of an MOU with the Korea Deposit Insurance Corporation in 2001, experienced financial branch activities, and conducted a one-person certification campaign related to finance. Cyber training materials were produced for employees who are in contact with the company and those who want to know about mutual finance.

In order to nurture professional manpower for mutual finance of member cooperatives, Suhyup established its expert officer system to provide experts with preferential treatment in terms of promotion and nurtured professional staff such as marketing counselors and loan review officers. They worked as cooperative instructors and created a systematic and individual friendly service evaluation system for each employee.

2) Capital stability by increasing accumulation of internal reserves

Suhyup clarified internal rules on the accumulation of internal reserves for mutual finance and set the ratio of reserve to mutual finance special account risk weighted asset at 4% by 2012 and the fund is accumulated annually but the amount was determined separately at the risk management council.

3) Differentiated loan and deposit service strategies for each cooperative

A) Loan service strategy

It was intended to promote credit loans by differentiating risk premiums and evaluating credit rating of debtors and loan strategies for regions that support fishery related businesses such as distribution, transportation and seller of fishery products who are excluded from fishery policy funding depending on regional and cooperative characteristics and a customer-oriented loan strategy was established.



CS leader education to improve customer satisfaction in October, 2013

B) Deposit service strategy

Incentives were introduced to boost motivation such as providing a differentiated level of goods support based on outcome after setting targets for each branch and credit card and mutual aid products were linked to sales. The deposit service business was expanded to include profit securities sales by promoting the revision of applicable acts.

4) Development of various new competitive products

A) Development of new deposit products

The business was switched to internet banking and relevant products were developed to expand the customers using electronic finance. Products exclusive for fishermen were developed and complex products were developed linked with credit cards and mutual aid.

B) Development of new loan products

As a niche market product, new loan products were developed which were secured by things other than real estate such as automobiles as collateral, and developed a loan product for the underprivileged class such as seafood distribution, transportation, and sellers as a subordinated real estate collateral loan. In addition, a loan product for immediate internet banking for internet banking customers, and also a low-risk loan product by using an external specialized company were developed.

5) Promotion of continuous extension to keep the tax exemption deposit system

As the extension of the deadline for tax exemption on deposits ended at the end of 2009, a joint working-level promotion team was formed with the beneficiary institutions, such as Nonghyup and Sinhyup, to jointly extend the deadline in early 2009, while also promoting a company-wide extension of tax exemption.

6) Strengthening support to reduce delinquency rate of member cooperatives

Delinquency reduction support was intensively provided to member cooperatives with excessive delinquency loans and delinquency rate surges, and through various educational channels such as group training at the training center and postal distance education, Suhyup nurtured specialists in debt management, and conduct delinquency reduction campaigns and promotions. As a result, exemplary member cooperatives and related executives and employees were recognized.

In addition, the Suhyup NPL website was opened and operated to activate the sale of non-performing loans of member cooperatives, and system improvement through the revision of bond management regulations and on-site briefing sessions on bond sales were held.

In addition, it contributed to the reduction of the delinquency rate of member cooperatives by strengthening the guidance on bad debt amortization for bonds classified as estimated losses and through partnerships such as the exchange of bond management business with other mutual financial institutions.

7) Nurturing experts for fund management and strengthening expertise in alternative investment

In order to nurture experts in fund management for employees in the mutual finance field, education was provided by year, position, and step-by-step, and a preferential treatment system was implemented for those who obtained qualifications related to fund management.

B. Objectives and outcome

Mutual finance business innovation movement under the slogan 'POWER START 1410', 'DYNAMIC RUN 1410', 'DOUBLE SPEED 1510', 'SUPER JUMP 1510', and 'PERFECT FINISH 1510' were conducted for 5 years based on a mutual finance development plan.

As a result, the goal was achieved early in November 2012, and by the end of 2012, deposits of KRW 15,694.2 billion and loans of KRW 10,378.9 billion were achieved.

In addition, net income exceeded KRW 100 billion in 2010 and 2011 consecutively, and the delinquency rate was 4.85% as of the end of November 2012.

6. Expansion of non-interest rate areas

A. Foreign exchange

In 2010, Jinhae Suhyup and Jeju Fish Farming Suhyup started to handle a foreign exchange business. As of the end of October 2021, 61 cooperatives are handling foreign exchange businesses, and over the past 8 years, handling fees totaled 146.95 million dollars. 15 billion was realized.

B. Credit card and fund

The credit card business began to be handled as a proxy in December 2000, and from 2011 to 2021, it achieved sales of KRW 2.95 trillion and commission income of KRW 36.8 billion. In 2011, as Suhyup dealt with the fund business, Suhyup focused its capabilities on the non-interest sector and strengthened its marketing capabilities.

C. Starting agency work for selling traditional market gift voucher

Suhyup started selling traditional market vouchers in branches as part of vitalizing alley commercial districts. As of late 2021, vouchers worth KRW 618.9 billion were sold and collected and an income of KRW 6.51 were achieved for the past 8 years.

7. Establishment of mutual finance business objectives and strategies (Suhyup Vision 2021 Development Plan)

Suhyup declared vision 2021 ; One value, one power, the best cooperatives under the slogan 'We See Beyond Sea' with the establishment of 'Suhyup Vision 2021 Development Plan' in January, 2012 and the business objectives and strategies of mutual finance business were established as follows.

A. Expansion of profit source for member cooperatives

Suhyup set the direction for regional cooperatives to advance into metropolitan areas, and strengthened risk management and professionalism of loan personnel when individual cooperatives set up stores in metropolitan areas. In addition, an alternative investment team was established to devise a cooperative plan between branches entering the metropolitan area, to create an organization to promote mutual financial businesses in the metropolitan area, and to expand alternative investments in areas other than traditional investment methods such as stocks and bonds.

B. Establishment of customer satisfaction management system

Marking success case analysis and joint marketing were conducted as centralization and highly efficient marketing were necessary as the brand establishment and marketing support activities of Suhyup mutual finance were distributed across many business departments. In addition, sales managers (SM) were nurtured considering the cooperative's labor and qualification certification system which was introduced for continuous nurturing and management of sales managers. In addition, product profit analysis and post management systems were established to strengthen the capabilities of product development and the introduction of dividend payout products was reviewed. In addition, marketing support infrastructure was established.

C. Efficient risk management

The establishment of the loan review team under the mutual finance department was reviewed and the regulations on cooperative loan review were organized and loan review training (including on-site guidance at cooperatives) were conducted. In addition, a guide was provided to operate the loan review team (Risk Management Office) and a loan review computer system (Nextro System) was improved to establish a companywide integrated risk management system.

8. Strengthening marketing capabilities



Suhyup SSP presentation in April, 2011

In 2012, the Sales Stimulation Program(SSP), a marketing competency strengthening program, was introduced to provide comprehensive financial services, and through this, training specialists were nurtured. In addition, by continuously providing educational contents, Suhyup is increasing the marketing capabilities of branch employees. As of the end of 2021, 178 in-house instructors were trained in 70 unions.

9. Extension of tax exemption period for deposits

As the special rule on tax exemption for interest income of mutual finance deposit for cooperative members and quasi-members ended at the end of 2018 according to the Restriction of Special Taxation Act, requests were made to extend the period. In response to the government policy to abolish the mutual finance deposit tax exemption for quasi-members, Suhyup persuaded relevant authorities including the National assembly in close cooperation with other mutual financial institutions.

Accordingly, the tax exemption special condition for the mutual finance deposit interest income was extended to the end of 2020 and the period was extended again in 2020 to 2022.

10. Introduction of the system for electronic registration of collateral security

In December 2019, an electronic registration system for collateral security was introduced. The electronic registration system for collateral security refers to the electronic processing (electronic registration) of the registration of collateral security, which was directly requested and applied (written registration) in writing to a solicitor through the electronic registration system.

With the introduction of the collateral security electronic registration system, it was possible to set up a collateral security faster than with a written registration, thereby reducing the risk of preserving bonds and reducing the cost of establishing a collateral security by about 60%.

Chapter 5

Suhyup Bank (Credit Business)

1962
2022

Section 1. Overview

1. Significance

The purpose of Suhyup Bank is to support the voluntary economic activities of fishermen and cooperatives and promote their economic status by providing finance necessary for fishermen and cooperatives. It provides loans necessary for fishermen and cooperatives such as fishery funds according to the Fisheries Cooperative Act, performs work related to banking under the Banking Act and sells mutual aid products consigned by the NFFC and other necessary work under the Banking Act and work consigned by NFFC such as sales of mutual aid products.

In addition, priority is given to the funds for fishermen for the purpose of production, distribution, processing and sales of fishery products and funds for NFFC to promote economic support projects. The characteristics of Suhyup Bank are summarized as follows.



Bank counter in the 1970s and 1980s

First, it plays the role and function of ocean and fishery bank by providing funds for cooperatives and NFFC necessary for the fishery.

Second, it has the characteristics of system finance that circulates funds based on organic cooperation with cooperatives. Fishery policy fund handled by Suhyup Bank is also handled by member cooperatives, the financial benefits of fishermen are promoted and such policy is contributing to the achievement of fishery policy in close cooperation with the central government and local government.

Third, it secures and provides financial resources for fishery funds by attracting funds from general customers by performing banking business under the Banking Act, overcomes the limitations of the supply of government funds and promotes profit by conducting general banking business.

2. Business implementation structure

As of late 2021, Suhyup Bank headquarters have 5 groups including the business strategy group and 5 dedicated divisions such as compliance, risk management. There are a HQ business department, IB business division, 2 corporate finance divisions, 9 regional finance divisions and 115 branches and offices. has Also there is Micro Finance Myanmar (Suhyup MFI).

3. Types of business

A. Deposit

Suhyup receives deposits from general customers to provide production funds to the fishery industry. In this regard, the deposit business is the key business which acts as the foundation for the existence of Suhyup Bank.

This business grew with big success in 1969 when the movement to form a KRW 10 billion internal fund started. In the 2000s and 2010s when the independent business division system started, and in 2016 when Suhyup Bank was separated from NFFC, deposit business has been the center business of Suhyup.

As of late 2021, the deposit business has 21 products for accumulating seed money, 10 products for investing surplus funds, 21 products for free deposit and 2 products for public interests. A total of 55 products are available online and offline.

B. Credit

Suhyup Bank handles fishery finance that provides fishery funds to fishermen and member cooperatives, commercial banking services of general banks and policy finance necessary to perform economic policy. In the early days of Suhyup, it handled mostly fishery finance related to loans and in 1969 it started handling a general credit business.

As of late 2021, 76 kinds of credit products are being sold for individuals, households and companies and it provides people in the general public such as an online exclusive credit product called Sh Deodrim credit loan and Sh new hope loan II (for people in the oceans and fishery business)

C. Fishery policy finance

Fishery policy finance refers to the supply of funds necessary for fishermen and member cooperatives for the purpose of executing fishery policy of the government. Suhyup Bank handles fishery policy funds exclusively under the guidelines of the government with financial resources composed of funds, borrowing from the Bank of Korea and internal financial resources of Suhyup exclusively and the government takes measures such as supervision and an interest subsidy. As of late 2021, 18 kinds of funds are provided to fishermen.

D. Marine investment finance

Marine investment finance refers to participation in port SOC projects, ship finance, and other investment finance, etc. Port SOC projects include participation in hub and feeder port development projects, participation in existing port facility reinforcement and remodeling projects, provision of various financial services to port operators, and hinterland development projects. Ship finance refers to ship finance support to shipping companies, acquisition finance support between domestic shipping companies, financial services to ship builders, and financial investor and credit support for ship investment companies. Other investment finance includes SOC financing business such as roads, railways, bridges, etc and real estate development PF participation, M&A.

E. Foreign exchange

Foreign exchange or foreign currency exchange refers to a series of procedures and processes that occur in international economic activities using external payment means, foreign currency securities, and foreign currency bonds as payment methods. Suhyup Bank is engaged in overall foreign exchange businesses such as foreign currency remittance, foreign currency collection, foreign currency trading, entry and exit business, foreign currency loan and receipt, international finance, and overseas investment and loan. As of the end of 2021, it provides a variety of foreign currency remittance services and import/export related services.

F. Card

The credit card business includes management of recruitment of card members and affiliates, issuance and management of credit cards, payment of balances related to the use of credit cards, financing for members, issuance and payment of debit cards under the Specialized Credit Finance Business Act. As of the end of 2021, 20 types of credit cards, 12 types of debit cards, and gift cards are available.

G. Fund

A fund is a group or collective investment of funds collected from several people for a specific purpose. According to the Financial Investment Services and Capital Markets Act, collective investment refers to the the acquisition, disposal or operation of investment assets with property value and distributing the outcome of such operation without receiving routine operation instruction from investors by using capital from 2 or more investors.

Suhyup Bank started its fund business, which is an investment brokerage for collective investment securities, in 2003 in accordance with the Banking Act, and as of the end of 2021, it is selling various types of funds, including domestic and overseas stocks.

H. IT service

Suhyup Bank installed its own computer for the first time in 1984 and started to computerize its business in earnest. In the 1990s, it operated a comprehensive online system and established an internet banking service, management information system (MIS), integrated information DB, next generation system and financial safety system in the 2000s. With the rapid advancement of IT technologies, it has been facing new digital transformation such as mobile banking service and artificial intelligence from the late 2010s.



Card issuance and sending automation system operation in May 1995

I. Trust

Trust refers to a legal relationship where a cosigner transfers a certain property right to the trustee or makes the trustee manage or dispose property rights in the interest of a certain person (beneficiary) or special purpose based on a special trust relationship between cosigner and trustee. Suhyup started its trust business after receiving permission for a trust business limited to public shares under the Trust Business Act and as of late 2021, it sells special fund trusts, 3 kinds of property trusts and individual savings account (ISA).

J. Management

1) Bond management

Bond management promotes asset soundness and sound settlement by reducing unhealthy bonds early through auction disposal, debt collection, and bond sale, collection activities for special bonds that have already been lost in accordance with general loans, and increases external credibility by reducing the unhealthy loan ratio such as a fixed loan ratio.

2) Risk management

Domestic banks faced extreme risk when there were extreme external shocks due to excessive corporate loans and fund management neglected the maturity structure during the financial crisis in 1997 and they had to pay the price of restructuring.

Suhyup also overcame the crisis with an emergency injection of public funds. Accordingly, the Suhyup Act and the Credit Business Board Protocol stipulated that various risks should be managed efficiently. In December 1999, the first risk management team was established, and after 2001, the risk management organization was further expanded and strengthened to promote sound management.

3) Compliance

Compliance monitoring refers to the preliminary or regular control and supervision of employees to comply with laws, regulations, etc. and act against social norms to protect shareholders, stakeholders, etc. as prescribed by the Act on Corporate Governance of Financial Companies.

To this end, Suhyup conducts internal control inspection activities for branches, and establishes and operates ethics codes and standards of conduct for executives and employees to foster transparent ethical management and ethical awareness. In addition, it minimizes legal risks by enacting and revising various regulations and conducting a preliminary review of compliance with the board of directors' agenda and important documents, and conducts anti-money laundering work as prescribed by related laws and regulations such as the Act on Reporting and Using Specified Financial Transaction Information.

Section 2. Development process

1. Development process of credit business

A. Early days (1960s)

1) Gap between the provisions of Suhyup Act and reality

With the enactment of the Suhyup Act in 1962, the foundation for handling credit business was established and Suhyup came to have a position as a special bank legally with the revision of the Banking Act in May 1962, but credit businesses could not be handled due to the lack of organization, manpower and fund.

In addition, only Suhyup could handle fishery funds under the Suhyup Act but at the time of establishing Suhyup, 7 banks including Nonghyup, KDB, Industrial Bank of Korea, Hanil Bank, Commercial Bank and Cheil Bank handled fishery funds.

2) Opening credit business and unifying fishery finance system

From May 1963, Suhyup began to handle credit business with a loan of KRW 264 million.

As it acquired the offshore fishery fund of KRW 363 million from KDB and Nonghyup, the supply system was unified into Suhyup but it was not enough to meet the capital demand with its current finance.

In the meantime, the general loan business started in 1969 and after the appraisal and revision of regulation on credit deliberation committee, the business scope was limited with resources of savings increase funds.

3) Movement to form the internal fund of KRW 10 billion and starting deposit business

In order to overcome limited financial funds and encourage fishermen to save, the plan to form an internal fund of KRW 10 billion was established from 1968 and it was decided to form KRW 10 billion including investment and deposit for five years from 1969 to 1973.

As a part of this movement, three member cooperatives including the Busan Suhyup began to handle the deposit business and Sokcho Suhyup also started a deposit service. From April 1, 1969, NFFC started deposit work in earnest. First, sales branches were opened and 8 provincial branches were opened to make sure that both NFFC and member cooperatives could both deposit and loan to businesses as a special bank.

With the formation of an internal fund the share of the deposit in total fund was a mere 15% in 1971 but the share increased to 38% in 1980 and to 70% in 1999 with the expansion of fund management scale.

B. Period of leap forward (1970s~1996)

1) Introduction of borrowing and starting foreign exchange business

The government's financial funds alone could not meet the demand for the fisheries funds, so the introduction of foreign capital was promoted. First, a loan of 30 million dollars was introduced under the Korea-Japan Fisheries Agreement in 1968 and 13.3 million dollars and 3.06 million dollars were introduced from the Asian Development Bank (ADB) and the World Bank (IBRD), respectively in the 1970s. These funds were subleased to end users, and the loan project was terminated by repaying the last balance in 1996.



Fishermen's rally to form its own fund of KRW 10 billion, June 1969

Meanwhile, as trade became active due to the government's strong export promotion policy and the 5-year economic development plan in the 1970s, import and export transactions increased rapidly in the fishery sector, and the necessity of handling the foreign exchange business emerged. Thus, on December 8, 1978, Suhyup received the foreign exchange business approval from the Ministry of Finance, and on January 10, in 1979, it began a type B foreign exchange business.

2) Online business

From May 1984, Suhyup began to handle ordinary deposits and savings deposits online. Free savings deposits were processed online in July 1985, temporary deposits were handled online from July 1986. It applied to time deposit in November 1987, dolphin overseas installment savings in June 1988, and corporate free deposits in February 1989. In addition, in December 1988, all 103 branches handled business online.

In addition, as a result of two years of effort from 1991, the comprehensive online system, which was the biggest long-cherished project, was introduced in 1993. By completing the establishment of a customer-centered computer system, it became possible to actively cope with the financial online environment, shorten the development period of new products, and quickly respond to data requests from external institutions.



Opening ceremony for online business, May 1984

3) Handling of trust business

In 1988, Suhyup was able to handle the trust business of national stock with the approval of the Minister of Finance Permission under Article 3 of the Trust Business Act, and also began to handle unspecified trust cash fund from February 1989.

In November 1990, it started to handle household money trusts, and in July 1991, it received permission to expand its business to handle specific money trusts and fund management trusts. The scope of its handling has been expanded to deal with trusts and retirement pension trust.

4) Liberalization of interest rate

Interest rate liberalization was introduced from December 5, 1988 and accordingly the credit rate was liberalized and the interest rate of time deposits and certificate of deposits were liberalized. In August 1991, the interest environment changed from regulated interest rates to free interest rates as interest rates were liberalized step by step according to the government's four-stage rate liberalization plan and the need for introducing a new type of profit management and risk management system increased. Suhyup also prepared efficient countermeasures by organizing and operating a department of financial system improvement.

5) Handling of credit card business

Suhyup began to prepare handling of a credit card business in 1990 and signed a framework agreement for partnership with Kookmin Credit Card on July 13, 1990. It received approval from the Minister of Finance on December 26 and began to recruit members on October 1, 1991 after receiving approval for membership from VISA Int'l on March 4, 1991.

Suhyup credit card was not a member of BC cards unlike cards of other banks and started with a unique brand in partnership with Kookmin credit card, so it was hard to expand the foundation for the business in the beginning. However, in 2000, the credit card business could be handled by proxy at mutual financial branches of member cooperatives, and the foundation was expanded, and now Suhyup Bank and member association mutual finance have become representative projects for win-win cooperation.

C. Period of challenges (1997~2000)

1) IMF and financial restructuring

Financial liberalization and openness promoted throughout the 1980s and 1990s put an end to wrong financial practices, causing a chain of bankruptcies of large companies and an increase in bad loans of financial institutions, leading to a national bankruptcy crisis. Accordingly, Korea eventually received an IMF bailout fund in November 1997, and insolvent financial institutions were expelled.

This financial restructuring served as an opportunity to strengthen the soundness and supervision of financial institutions, and the cost of accumulating provision for bad debts based on new asset soundness classification standards was borne. In this process, Suhyup recorded a large deficit due to valuation losses related to Daewoo bonds.

2) Degradation of financial situation

Suhyup also pursued self-help measures during the emergency situations such as an IMF bailout fund application, bankruptcy of companies, withdrawal and merger of insolvent financial institutions, and overseas sales. In other words, a management innovation task force was formed in December 1997 and measures were taken such as securing funds to accumulate bad debts and securities valuation provisions, and issuing special capital increases and fisheries financial bonds by member cooperatives to meet the BIS-based equity ratio. However, a deficit of KRW 39.7 billion in 1997 and KRW 328.3 billion in 1998 were recorded and Suhyup asked the government to revise the Suhyup Act and make a priority investment of KRW 570 billion in early 1999.

3) Input of public fund

The input of public funds into Suhyup Bank (credit business) started with the external management diagnosis at the request of the Ministry of Oceans and Fisheries in 1999. With the revision of the Suhyup Act two times in 2000, a legal foundation for government contribution was established. Accordingly, input of public funds was decided after going through a vice ministers' meeting among relevant ministries that was held 5 times, consultation among heads of cooperatives two times, discussion presided over by the minister of Oceans and Fisheries, opinion coordination and final decision at the economic ministers' meeting. The process was as follows.

With the revision of the Suhyup Act to establish an accountable management system by introducing a CEO system for credit and economic businesses and a priority investment system on January 28, 2000, there were active discussions on ways to provide government support among relevant ministries.

At this point, the revised provision of the Suhyup Act "Credit business of NFFC and its member fisheries cooperatives shall be regarded as one financial institution", Article 5 of the Banking Act was revised to "credit of the business sector of NFFC shall be regarded as one financial institution" in July, 2000.

On February 24, 2000, the first vice-ministerial meetings of relevant ministries (Ministry of Oceans and Fisheries, Ministry of Finance and Economy, Ministry of Planning and Budget, and Financial Supervisory Commission) was held to agree that support shall be made on the assumption of business innovation measures, but the Financial Supervisory Service shall conduct financial status surveys.

On March 9, 2000, the Ministry of Oceans and Fisheries announced the policy to support government investment in cash amounting KRW 460 billion to normalize Suhyup management but it was not proceeded due to conflicts of opinion among ministries.

At the 2nd vice-ministerial meeting held on June 22, 2000, it was decided to make an agreement again with relevant ministries after making Suhyup submit its own plan as a review of the operation direction of Suhyup including the fact that the separation of credit business was not inevitable.

At the 3rd vice-ministerial meeting held on July 21, 2000, the strengthened and independent business system, complete separation of subsidiary and handling of policy funds were discussed.

At the 4th vice-ministerial meeting held on July 27, 2000, discussion was made focusing on prerequisites for the establishment of a credit subsidiary including the ratio of public fund support, government's in-kind investment and public funds.

On July 31, 2000, issues related to the government's public fund injection were discussed at the emergency meeting among cooperatives' leaders and a statement opposing the early injection of public funds and the separation of credit subsidiaries was adopted.

On August 8, 2000, countermeasures at the pan-Suhyup cooperatives level in relation to the promotion of government public funds were discussed and "Committee to Respond to National Assembly and Government" was formed at the 2nd meeting among cooperatives' leaders meeting.

On September 4, 2000, a discussion on how to operate a credit business presided over by the Minister of Oceans and Fisheries was held. Heads of member cooperatives across the nation, representatives of successors of fishermen, members from the Democratic Party and the Liberal Democratic Party and heads of the banking system department of the Ministry of Finance and Economy participated. At the meeting, heads of cooperatives and successors of fishermen opposed to the complete separation of credit business and Ministry of Finance and Economy argued for an independent business system but the minister of Oceans and Fisheries decided to strengthen an independent division system for the credit business of NFFC based on the opinion of participants including the majority of cooperative leaders.

At the 5th vice-ministerial meeting on September 26, 2000, the Ministry of Finance and Economy indicated the acceptance of a plan to strengthen the independent business division system, and the FSC presented the opinion that investment under Article 38(2) of the current Depositor Protection Act is the most appropriate rather than subsidiary separation. In addition, 3 options were reviewed including measures to follow the Deposit Protection Act under an independent business division system, support by revising the Suhyup Act under an independent business division system and support under the Act on the Structural Improvement of the Financial Industry after spinoff and it was agreed that the final decision would be made at the economic coordination policy meeting on October 10, 2000.



Discussion on the ways to operate Suhyup's credit business presided over by the Minister of Oceans and Fisheries on September 4, 2000

On October 10, 2000, the option of strengthening an independent business division of the credit business under the assumption that the input and management of public funds will be made at the level of subsidiary was adopted at the Economic Ministers' Meeting and the Suhyup Act was revised to lay the foundation for investment by the Korea Deposit Investment Corporation.

In addition, it was decided Suhyup would follow the example of support for general banks regarding BIS ratio and provide public funds on the premise of strict reprimand and intensive restructuring for those who caused insolvency.

On December 30, 2000, the Suhyup Act was amended to allow the state or the Korea Deposit Insurance Corporation to invest in NFFC to improve the financial structure of the credit business of NFFC.

And finally, KRW 988.7 billion in outstanding deficits and KRW 1.158.1 trillion in public funds needed to maintain 10% of the BIS ratio at the end of 2000 were confirmed through a property inspection for property separation under the supervision of the Korea Deposit Insurance Corporation in January 2001. In addition, practical procedures for prioritizing investments of public funds was completed with the resolution of the Public Fund Management Committee and the first public fund of KRW 1.1995 trillion was invested on April 26, 2001, and the second investment of KRW 48.6 billion was made on December 31, 2001.

4) Memorandum of undertaking

In case where a financial institution receives public funds from the Korea Deposit Insurance Corporation under the Special Act on the Management of Public Fund, this memorandum of undertaking is concluded in writing covering information such as conditions for public funds, improvement of management for early normalization. On April 25, 2001, CEO of the Korea Deposit Insurance Corporation and CEO of the credit business and president of NFFC jointly signed an MOU with the following key points.

A) Agreement to implement management normalization

The public fund scale, method, mandatory implementations and actions by the Korea Deposit Insurance Corporation in case of non-fulfillment (management accountability, restructuring, etc.) are agreed every 2 years between the president of Korea Deposit Insurance Corporation and representatives of financial institutions that support public funds until the qualification as largest shareholder is achieved.

B) Management of normalization plan

Financial ratio target (BIS equity ratio, adjusted operating profit per person, net asset return, sales and administrative expense ratio and net non-performing loan ratio) and non-financial target objectives are specified.

C) Mandatory implementation

As an annex to the management normalization implementation agreement, management governance restructuring, management of noncredit business sector and credit risk management are mentioned for non-financial area and improvement of financial ratio is specified for financial area.

D) Management's memorandum to implement normalization plan and labor-management agreement MOU

The memorandum from all directors (including non-executive directors) of Suhyup that commits the fulfillment of management normalization implementation plan in good faith and the labor-management agreement were submitted.

D. Period of overcoming challenges (2000s)

1) Management innovation movement (2001~2010)

Suhyup Bank, which had expanded capital with public funds and was organized as an independent business unit, conducted the New Start 180 movement, which is an employee awareness movement to become an outstanding CLEAN BANK while boosting the degraded atmosphere due to extensive restructuring on April 1, 2001.



In 2002, the "Jump 2&2 Movement" was conducted to become a solid and competitive marine and fisheries bank, resulting in a net profit of KRW 55 billion and a BIS ratio of 10.61%. It also achieved more than the financial ratio objectives agreed with Korea Deposit Insurance Corporation.

In 2003, the Dash-3M movement was conducted to maximize profit, minimize expenses and innovate employees' minds under the motto "moving toward the best oceans and fisheries bank", achieving a net profit of KRW 71.1 billion and a BIS ratio of 11.71%, achieving more than the financial ratio objectives agreed with the Korea Deposit Insurance Corporation.

In 2004, the business paradigm changed to a profit-oriented one by conducting the NICE 2004 management innovation movement and organizational capability was maximized, resulting in a net profit of KRW 104.2 billion and a BIS ratio of 11.2%, which are considered outstanding performance. As a result, the management performance was externally recognized by obtaining the highest credit rating from international credit rating agencies such as Moody's and S&P and domestic credit rating agencies.

The OK ACE 0506 management innovation movement continued to manage oceans finance actively, establish advanced fisheries finance, strengthen commercial finance and promote efficient business innovation between 2005 and 2006. As a result, Suhyup recorded a record high net profit of KRW 124.7 billion and a BIS ratio of 12.59%.

With outstanding performance, it received a credit rating of A3 from Moody's and A-(S) from S&P, improving the brand value and winning trust from customers. In 2006, the profit oriented management paradigm was strengthened further and organizational capabilities were maximized, resulting in a net profit of KRW 118.6 billion and BIS ratio of 11.40%..



Obtaining Moody's credit rating of A3 in June, 2004

The "BLUE I 0708" movement was conducted from 2007 to 2008 to secure future growth engines, achieving a net profit of KRW 87.9 billion and a BIS ratio of 11.38% in 2007, but the net profit was only KRW 7.6 billion won and the BIS ratio was 11.26% in 2008 due to the global financial crisis.

In 2009, the WIN START 2009 movement was conducted to overcome the global financial crisis through constant change and innovation and to become a winner and pave the way to leap into a top marine and fisheries bank through continuous changes and innovation with the appointment of new management. As a result, the company posted a net profit of KRW 33 billion and a BIS ratio of 13.53%.

In addition, 2010 was set as the "first year to prepare for a new decade and pave the way for future organizational development," and the Leapforward 2020 movement, new stat, new attempt was conducted for the success as a commercial bank dedicated to oceans and fisheries sector. As a result, it recorded a net profit of KRW 41.9 billion, an increase by KRW 8.9 billion from 2009 and a BIS ratio of 13.09%, overcoming the global financial crisis that began in 2008.

1) Opening ocean investment finance

Although the bank secured significant competitiveness, including a net profit of more than KRW 100 billion in 2004, it prepared a long-term vision to specialize as a marine and fisheries bank to cope with large-scale mergers and rapid changes in the business environment due to entry of foreign capital in Korea.

It started an ocean investment finance business by organizing internal organizations such as the establishment of an ocean investment finance department in January 2005 and recruiting professionals to achieve this long-term vision and the main businesses were port SOC business, ship finance, and other investment finance.

E. Period of new attempts (2010s)

1) Signing an MOU for main transaction with organizations related to oceans and fisheries

In January 2011, Suhyup signed a main transaction bank agreement with Pukyong National University that supports overall financial services in order to promote mutual development by strengthening the traditional industry-academia cooperation relationship. Suhyup Bank agreed to contribute to the university development fund to Pukyong National University and Pukyong National University agreed to guarantee exclusive operation in the university for 20 years and deposit of 80% or more of the school funds.

In addition, Suhyup Bank is making an effort for the welfare and development of the fishery industry and fishermen by signing the main transaction MOU with 87 organizations related to oceans and fisheries as of December 2021.

2) Opening Nextro, the new next generation computer system

The new next generation system of Suhyup was the largest IT project undertaken since the foundation of Suhyup to respond to rapidly changing financial environments such as the Capital Market Integration Act and IFRS and provide services that meet customer demands which are becoming more complicated and diversified. The project started in November 2009 and after 22 months, the system successfully opened under the name of Nextro on September 14, 2011.

New functions such as automated journalizing and 24X365, which were not possible in the next generation system of other banks, became possible with the Nextro system. It led to the outstanding record of daily closing of all branches on the day of launching the system. As the name New Extension of The Remarkable Ocean-bank (Nextro) suggests, it laid the foundation for Suhyup to become the best ocean and fisheries bank.



Opening Nextro, the next generation computer system in September, 2011

3) Establishment of Suhyup Bank

A) Background

In December, 2010, the Basel Committee on Banking Supervision (BCBS) of the Bank for International Settlements (BIS) announced the policy of introducing Basel III that regulates capital of banks focusing on common shares after experiencing the global financial crisis in 2008 and domestic banks started capital structure restructuring.

During the financial crisis in the late 1990s, many banks received public funds in the form of contributions with exemption of repayment obligations but Suhyup Bank (credit business sector) received funds in the form of investment with a repayment obligation. Accordingly, public funds of KRW 1.1581 trillion was classified not as capital but as liabilities and there was repayment obligations for liability capital such as subordinated bonds. So a large amount of capital was not recognized as capital.

B) Process of establishment

Basel III introduced in 2013 and IFRS introduced in 2014 do not recognize the priority investment from Korea Deposit Insurance Corporation as capital of Suhyup Bank and if they are not converted to common shares, it does not meet the capital adequacy ratio, a mid to long-term regulation due to a lack of capital. It is likely to reduce the global credit rating and the BIS ratio gap compared with other banks will widen. That will make the bank hard to run the business normally.

In September, 2012, the Ministry of Oceans and Fisheries established the Suhyup Advancement Committee to discuss matters related to converting priority investment into common shares with relevant ministries, the Korea Deposit Insurance Corporation and Suhyup.

In 2013, domestic banks were subject to new capital regulations with the introduction of Basel III, but the Financial Services Commission announced a three-year grace period for Suhyup Bank, giving the bank time to prepare for capital regulations.

In January 2014, the government discussed the reform of the business structure of the NFFC at the economic meeting and related ministries (Financial Services Commission, Ministry of Strategy and Finance, and Ministry of Oceans and Fisheries) formed a joint TF to discuss further and conduct a joint research task force from March to December, 2014. Since April 2015, several working-level consultations have been conducted between related agencies for practical review and legal foundation to convert preferred investment into common shares.

At the economic ministers' meeting held on August 26, 2015, Suhyup Bank was separated from NFFC and NFFC became responsible for repaying public funds. Accordingly, a policy decision was made on the way to convert the priority investment into common shares.

Accordingly, the decision was made at a state council on September 1, a revised bill for the Suhyup Act was submitted to the National Assembly on September 7, 2015, the revised bill passed at the National Assembly, making it possible to separate Suhyup from NFFC as a subsidiary. A Suhyup business structural reorganization support group was established and led by the Ministry of Oceans and Fisheries in June 2016 to handle practical matters for business restructuring and Suhyup was officially established as a subsidiary in December 1, 2016.



C) Separation of subsidiary

Suhyup Bank was separated from NFFC and a credit business special accounting was installed to keep public funds in the NFFC, which made it possible to meet Basel III common equity requirements.

This means that the entity that needs to repay public funds was changed from the credit business department to the credit business special accounting of NFFC and the change was made to finance the repayment from dividend of the credit subsidiary. Also an MOU was signed with NFFC.

In addition, NFFC issued a fishery finance bond of KRW 550 billion (interest is supported by the government for 5 years temporarily, KRW 10.3 billion with the rate of 1.87%, KRW 51.5 billion for 5 years) and Suhyup secured additional capital of KRW 900 billion by securing KRW 350 billion with contribution by employees (KRW 24 billion), contribution by member cooperatives (KRW 76 billion) and issuance of a fishery finance bond (KRW 250 billion).

In addition, the Suhyup Act was revised to introduce the provisions regarding the establishment of Suhyup Bank, and an introduction of title use fee and lay the foundation for the credit business special accounting. With the Restriction of Special Taxation Act, the provisions for exemption of national taxes (corporate tax, added value tax) and local taxes (acquisition tax and registration license tax) were arranged.

D) Expected benefits

With the separation of Suhyup Bank, NFFC's capital structure was restructured from debt capital to structure focusing on common shares. Accordingly, the system to secure long-term capital was established through NFFC and member cooperatives and it became possible to repay public funds by improving the bank's competitiveness, including organizational culture innovation, improvement of profitability and productivity.

In addition, Suhyup bank became able to serve as a profit center of cooperatives by using the title use fee provided by Suhyup Bank for the purpose of businesses of cooperatives such as fishermen training support business, improvement of fishery product distribution structure. In addition, Suhyup Bank supported the growth of member cooperatives by selling mutual-aid products, IT support for member cooperatives and supporting credit card, foreign exchanges and consignment work.

4) Launching Hey Bank, a mobile banking service application

With the emergence of K Bank (April, 2017) and Kakao Bank (July, 2017) which are internet banks that started official business in 2017, the pursuit of non-face-to-face transactions, simplification and convenience of customers for financial transactions has been accelerated. In order to expand smart banking and upgrade service to respond to the external environment, the bank launched the Hey Bank application, which is a simpler and more convenient banking service than Partner Banking, existing smart banking in December 2018.

Hey Bank made it possible to establish core banking functions and used a simple product subscription process to increase the convenience of customers to the level of internet banks and simple and intuitive UI/UX⁸ were implemented to become user friendly. Hey Bank applications focused on achieving the financial transaction objectives of customers in a rapid and convenient manner by mounting financial products that meet the needs of customers and removing unnecessary services.

5) Issuance of foreign currency bonds worth USD 300 million for stable foreign currency procurement

A) Background

The bank secured USD 300 million of foreign currency between 2007 and 2021 by issuing foreign currency public bonds based on the need for operation of foreign currency assets and efficient management of foreign currency liquidity. This procurement helped to match with operations of overseas investment by the IB Business Department.

B) Issuance details

It was listed on the Singapore Exchange and IR was conducted targeting overseas investors. Through meetings with institutional investors, the bank could issue public bonds successfully that can match with the performance of other domestic banks. Suhyup Bank minimized the interest rate change risk by issuing foreign currency bonds at fixed interest rates for and adjustable interest payment structure through interest rate swaps and risk aversion accounting.



6) Launching Suhyup Microfinance Myanmar (Suhyup MFI)

Myanmar has weak financial services and infrastructure and an outdated financial industry to the extent that the ratio of population aged 15 and over holding a bank account is a mere 22%. The general public uses private finance whose monthly interest rate was 10~15%. In order to target the microfinance market, the bank established Suhyup Microfinance Myanmar in February 27, 2019, got approval for MFI in July 2019 and has started operations in Naypyidaw, an administrative capital of Myanmar.

After that, the bank obtained a business license in Shan, Magway and Yangon, and went on to obtain business licenses in four states. As of late 2021, the capital is USD 8 million and 82 employees (2 expats, 80 local employees) work at 1 headquarter building and 5 branches. About KRW 2.3 billion of loans were provided as of late 2021.



Opening ceremony for Suhyup Microfinance Myanmar in September 16, 2019

7) Achievement of MOU on the implementation of management normalization

After the input of public funds of KRW 1.1581 trillion in 2001, Suhyup Bank faced a difficult management environment such as card debt confusion in 2004, the global financial crisis in 2008, denial of debt capital as capital with the introduction of Basel III in 2013 and being an independent corporation as a result of business restructuring.

Amid crisis, Suhyup made every effort to secure competitiveness equivalent to that of commercial banks through internal management evaluation. As a result, outstanding achievements could be made in the overall management.

8) Management performance and repayment of public funds

Suhyup Bank has realized stable growth in terms of overall indicators such as profit and soundness after being separated as a subsidiary in 2016. In particular, the bank diversified portfolios such as an increase in assets stably focusing on retail loans and focused on asset increases with capital efficiency.

Thanks to the management performance achieved so far, it cleared a total of KRW 988.7 billion of outstanding deficits from 2001 to 2016 and repaid public funds of KRW 400.7 billion between 2016 and 2021, with a remaining balance of KRW 757.4 billion.

F. Financial revolution period(2020s)

In the era of digital financial revolution, the conventional financial industry faced significant challenges due to advancement of computing technologies such as AI, blockchain, cloud and big data, advancement of information and communications technology and wide use of smartphones. In addition, big tech companies based on IT technologies and platforms and fin-tech companies that combine ICT technologies and finance entered the financial business rapidly, absorbing customers quickly, threatening the conventional financial industry.

In particular, the emergence of internet banks served as a major piece of momentum for existing banks focusing on face-to-face channels to accept digital transition not as an option but a must and Suhyup Bank strengthened its digital finance sector to respond to the current trend preemptively.

Accordingly, it integrated jobs and personnel scattered in 2018 and elevated the position of the Smart Finance Office to the Digital Finance Division to launch non-face-to-face products and simplify banking service. It also secured the foundation for expanding digital finance in partnership with other companies.

In 2019, the bank expanded the non-face-to-face product lineup and increased customers continuously by launching non-face-to-face key-money loan service and partnership with different industries. In addition, the bank introduced a digital counter system in all branches, making it possible to respond to customers rapidly without documents. The Digital Finance Department was elevated to the position of the Digital Finance HQ composed of Digital Strategy Department, Digital Marketing Department and Digital Development Department, thereby expanding the business areas for digitalization.

In 2020, the bank focused on improving customer services and upgrading non-face-to-face channels by managing customers systematically offline and strengthening platform quality.

In 2012, the business process became more efficient to promote digital transition. To this end, the bank promoted digital counters in branches, efficiency in the loan process, simplification of backend work and upgrading call center services. Moreover, it strengthened non-face-to-face customer management activities to manage rapidly growing digital individual customers and provided support for digital corporate finance for non-face-to-face transactions with corporate customers.



Digital counter system on November 4, 2019