

# ACT ON LIVESTOCK FARM ALLIANCE SYSTEMS

Act No. 11357, Feb. 22, 2012

Amended by Act No. 11690, Mar. 23, 2013

Act No. 12435, Mar. 18, 2014

Act No. 12814, Oct. 15, 2014

Act No. 13144, Feb. 3, 2015

Act No. 14988, Oct. 31, 2017

Act No. 16234, Jan. 15, 2019

Act No. 17091, Mar. 24, 2020

Act No. 17277, May 19, 2020

Act No. 17354, jun. 9, 2020

## CHAPTER I GENERAL PROVISIONS

### Article 1 (Purpose)

The purpose of this Act is to contribute to soundly developing the livestock industry and national economy by strengthening the competitiveness of farmers raising livestock and vertical integrators in the livestock industry; and by promoting fair trade and mutual cooperation between farmers raising livestock and vertical integrators in the livestock industry by providing for matters necessary for vertical integration in the livestock industry.

### Article 2 (Definitions)

The terms used in this Act shall be defined as follows: *<Amended on Jan. 15, 2019>*

1. The term "livestock" means cattle, poultry, etc. under subparagraph 1 of Article 2 of the Livestock Industry Act;
2. The term "breeding stock" means livestock for breeding (including eggs for breeding) under subparagraph 2 of Article 2 of the Livestock Industry Act;
3. The term "livestock products" means livestock products, etc. under subparagraph 3 of Article 2 of the Livestock Industry Act;
4. The term "vertical integration in the livestock industry" (hereinafter referred to as "vertical integration") means that a vertical integrator defined in subparagraph 5 supplies breeding materials, etc.,

such as livestock and feed to a farmer raising livestock under contract defined in subparagraph 6 to make the farmer raise livestock, and receive raised livestock or livestock products produced from such livestock from the farmer raising livestock under contract in return;

5. The term "vertical integrator in the livestock industry" (hereinafter referred to as "vertical integrator") means a person who engages in vertical integration by entering into a contract with farmers raising livestock under contract defined in subparagraph 6;

6. The term "farmer raising livestock under contract" (hereinafter referred to as "contract farmer") means a person who ships livestock or livestock products produced from the livestock to a vertical integrator after raising the livestock by concluding a contract with the vertical integrator;

7. The term "amount payable to farmers" means any of the following prices regardless of pretexts or methods of payment:

(a) A price that a vertical integrator pays to a contract farmer for the livestock or livestock products the contract farmer raises and ships, such as breeding material costs including livestock costs (including incidental costs), breeding costs (including breeding fees) and feed, incentives to encourage the production of livestock and livestock products, etc.;

(b) A price that a vertical integrator pays to a contract farmer under contract on a regular or irregular basis for supports, education, compensation, and other matters concerning vertical integration, which is prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs;

8. The term "farmer's charge" means any of the following prices regardless of pretexts or methods of payment:

(a) A price that a contract farmer pays to a vertical integrator for the breeding materials the vertical integrator supplies to the contract farmer, such as livestock (including incidental costs) and feed;

(b) A price that a contract farmer pays to a vertical integrator under contract on a regular or irregular basis for compensation and other matters, which is prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs;

9. The term "disclosure document" means a document stating the current status of vertical integration, conditions of and restrictions on raising livestock under contract, etc. of a vertical integrator.

**Article 3 Deleted.** <Jan. 15, 2019>

## CHAPTER II MASTER PLAN FOR DEVELOPMENT OF VERTICAL INTEGRATION IN LIVESTOCK INDUSTRY AND REGISTRATION OF VERTICAL INTEGRATION

**Article 4 (Formulation and Implementation of Master Plan and Action Plan)**

(1) The Minister of Agriculture, Food and Rural Affairs shall formulate a master plan for developing vertical integration in the livestock industry (hereinafter referred to as "master plan") every five years to develop vertical integration and improve the competitiveness thereof. <Amended on Mar. 23, 2013>

(2) A master plan shall include the following: <Amended on May 19, 2020>

1. Direction-setting and objectives for the development of vertical integration;
2. Matters on development strategies by the type of livestock;
3. Matters concerning creating infrastructure for developing vertical integration and the strengthening of the competitiveness thereof;
4. Matters concerning supporting and evaluating vertical integration;
5. Matters concerning policy to promote cooperation between contract farmers and vertical integrators;
6. Matters concerning establishing orderly, fair trade in vertical integration;
7. Other matters necessary for developing vertical integration.

(3) The Minister of Agriculture, Food and Rural Affairs shall annually formulate and implement an action plan to develop vertical integration in the livestock industry (hereinafter referred to as "action plan") based on a master plan. <Amended on Mar. 23, 2013>

(4) Where it is necessary to formulate and implement a master and an action plan, the Minister of Agriculture, Food and Rural Affairs may request the heads of related central administrative agencies; the heads of local governments; related institutions or organizations; contract farmers and vertical integrators, to provide necessary data and information. In such cases, persons requested to provide data and information shall comply with such request unless in an extenuating circumstance. <Amended on Mar. 23, 2013>

#### **Article 5 (Supply and Demand Regulation)**

(1) Where a vertical integrator, producers' organization, etc. (hereafter in this Article referred to as "producer, etc.") makes a request, in which case overproduction is forecasted in comprehensive consideration of trends in the raising of livestock, market prices, etc., the Minister of Agriculture, Food and Rural Affairs may, in consultation with the Fair Trade Commission, require vertical integrators to jointly adjust the production or regulate the shipment of the relevant livestock or livestock products within a certain area for a certain period. <Amended on Mar. 23, 2013>

(2) Where a producer, etc. intends to request adjusting production or regulating shipment pursuant to paragraph (1), he/she shall prepare a written request stating matters under paragraph (3), undergo procedures for gathering opinions from stakeholders and distribution experts, and obtain consent of at least 2/3 of the incumbent members of representatives of producers, etc. of the relevant livestock product or the relevant producers, etc., or consent of producers, etc. who raise or produce at least 2/3 of the relevant livestock (including livestock products).

(3) Necessary matters concerning criteria and specific procedures, and operating methods for adjusting production or regulating shipment under paragraph (1) shall be prescribed by Ordinance of the Ministry of

#### **Article 5-2 (Prohibition of Unregistered Business)**

No person shall engage in vertical integration without filing a registration of vertical integration prescribed by this Act

#### **Article 5-3 (Registration of Vertical Integration)**

(1) A person who intends to engage in vertical integration shall file a registration with the Special Metropolitan City Mayor, Metropolitan City Mayor, Special Self-Governing City Mayor, Do Governor, or Special Self-Governing Province Governor (hereinafter referred to as "Mayor/Do Governor"), satisfying all of the following requirements:

1. He/she shall fall under any of the following:

(a) A company prescribed by the Commercial Act;

(b) A corporation prescribed by the Civil Act;

(c) Other corporations prescribed by Presidential Decree, such as a corporation prescribed by the Act on Fostering and Supporting Agricultural and Fisheries Business Entities;

2. He/she shall have a steady place of business.

(2) Where vertical integration is registered pursuant to paragraph (1), the Mayor/Do Governor shall enter the registered matters in the vertical integration register, and register it with the information system prescribed in Article 5-9 after issuing a certificate of registration.

(3) Detailed matters concerning requirements and procedures for registration prescribed in paragraph (1) and other necessary matters shall be prescribed by Presidential Decree.

#### **Article 5-4 (Reporting for Change)**

(1) A person who files a registration of vertical integration pursuant to Article 5-3 shall report to the Mayor/Do Governor within 30 days from the date any of the following cases occurs:

1. Where he/she suspends business for at least six months or resumes the suspended business;

2. Where he/she closes business;

3. Where the name of the company or corporation (trade names) or the location of the main place of business is changed;

4. Where the representative is replaced;

5. Where the important matters prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs are changed.

(2) Matters necessary for procedures, methods, etc. of vertical integrators' reporting for change prescribed in paragraph (1) shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

### **Article 5-5 (Grounds for Disqualification)**

None of the following persons shall file a registration prescribed in Article 5-3:

1. A person for whom two years have not passed since his/her registration is revoked pursuant to Article 5-6;
2. A company or corporation with an executive officer (referring to directors and auditors) falling under any of the following:
  - (a) A person under adult guardianship or under limited guardianship;
  - (b) A person declared bankrupt and not yet reinstated;
  - (c) A person who is sentenced to imprisonment with labor for violating this Act and for whom two years have not passed since the execution of the punishment is terminated (including where the execution of the punishment is deemed terminated) or exempted;
  - (d) A person who is under suspension of the execution of imprisonment with labor for violating this Act.

### **Article 5-6 (Revocation of Registration)**

(1) Where a person who has filed a registration of vertical integration pursuant to Article 5-3 falls under any of the following cases, the Mayor/Do Governor may revoke the registration of the business or order the suspension of all or part of the business by fixing a period not longer than one year: Provided, That in cases falling under subparagraphs 1, 2, and 5 through 8, he/she shall revoke the registration:

1. Where such person has filed the registration prescribed in Article 5-3 by fraud or other improper means;
  2. Where such person becomes non-compliant with the requirements for registration prescribed in Article 5-3 (1);
  3. Where such person fails to report in violation of Article 5-4;
  4. Where such person violates Article 9 (1);
  5. Where such person fails to commence business within six months after registration or fails to conduct business for a consecutive period of at least six months;
  6. Where such person is subject to a disposition of imposition of an administrative fine (including suspension of business) by this Act at least three times for the last five years;
  7. Where such person conducts business during the period of suspension of business;
  8. Where such person lends his/her certificate of registration to another person.
- (2) Where a Mayor/Do Governor intends to revoke the registration of business pursuant to paragraph (1), he/she shall hold a hearing.
- (3) Detailed standards for administrative dispositions prescribed in paragraph (1) shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

## **Article 5-7 (Disposition of Penalty Surcharges Imposed in Lieu of Disposition of Suspension of Business)**

(1) Where a vertical integrator falls under Article 5-6 (1) 3 or 4 and the suspension of business is likely to cause inconvenience to users, such as contract farmers, or inflict harm on the public interest, the Mayor/Do Governor may impose a penalty surcharge not exceeding 500 million won in lieu of the disposition of suspension of business.

(2) Amounts of and calculation standards for penalty surcharges depending on the types, seriousness, etc. of offenses subject to the imposition of penalty surcharges prescribed in paragraph (1), and other necessary matters therefor shall be prescribed by Presidential Decree.

(3) If necessary to impose a penalty surcharge, a Mayor/Do Governor may request the head of the competent tax office to provide taxation information with a document stating the following:

1. Personal information of a taxpayer;
2. Purposes of using the taxation information;
3. Sales amounts serving as a basis of imposing a penalty surcharge.

(4) Where a person liable to pay a penalty surcharge prescribed in paragraph (1) fails to pay it by the deadline for payment, the Mayor/Do Governor shall take the disposition of suspension of business prescribed in Article 5-6 (1) or collect it by the Act on the Collection of Local Administrative Penalty Charges, revoking the disposition of imposition of a penalty surcharge prescribed in paragraph (1), as prescribed by Presidential Decree: Provided, That where it is impracticable to take the disposition of suspension of business due to the closure of business, etc. prescribed in Article 5-4, he/she shall collect it by the Act on the Collection of Local Administrative Penalty Charges. *<Amended on Mar. 24, 2020>*

(5) Penalty surcharges imposed and collected pursuant to paragraph (1) and the proviso of paragraph (4) shall be reverted to the local governments to which the imposing and collecting agencies belong.

## **Article 5-8 (Succession to Effect of Administrative Dispositions)**

Where there occurs succession to the status of a vertical integrator resulting from a merger, division, etc., the effect of an administrative disposition prescribed in Articles 5-6 (1) and 5-7 (1) taken against the former vertical integrator shall be succeeded to the person who succeeds to such status for one year from the date the period of the disposition expires, and where the procedure for an administrative disposition is in progress, the procedure may go on against the person who succeeds to such status: Provided, That the same shall not apply where a person who succeeds to a status proves his/her unawareness of the administrative disposition or offense at the time he/she succeeds to the status.

## **Article 5-9 (Construction and Operation of Information System)**

(1) The Minister of Agriculture, Food and Rural Affairs may construct and operate an information system to effectively manage information related to registration prescribed in Article 5-3, reporting for change prescribed in Article 5-4, and revocation of registration prescribed in Article 5-6.

(2) For the construction and operation of the information system prescribed in paragraph (1), the Minister of Agriculture, Food and Rural Affairs and Mayors/Do Governors may request vertical integrators to submit necessary data or put data into the information system.

(3) Where a vertical integrator receives a request prescribed in paragraph (2), he/she shall comply therewith unless there is good cause to the contrary.

(4) Detailed matters concerning the construction and operation of the information system, and types, methods of submission, deadlines for submission, etc. of data to be submitted under paragraphs (1) and (2) shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

## CHAPTER III PRINCIPLES OF AND FAIRNESS IN TRANSACTIONS IN VERTICAL INTEGRATION

### **Article 6 (Principle of Good Faith)**

A vertical integrator and a contract farmer shall conscientiously perform his/her contractual duties in good faith.

### **Article 7 (Preparation of Written Contract)**

(1) Upon concluding a contract on raising livestock with a contract farmer, the vertical integrator shall issue a contract stating the matters specified in the subparagraphs of paragraph (2) (including electronic documents defined in subparagraph 1 of Article 2 of the Framework Act on Electronic Documents and Transactions; hereinafter the same shall apply) to the contract farmer: *<Amended on Mar. 23, 2013; Jan. 15, 2019>*

1. Deleted; *<Jan. 15, 2019>*

2. Deleted; *<Jan. 15, 2019>*

3. Deleted; *<Jan. 15, 2019>*

4. Deleted. *<Jan. 15, 2019>*

(2) The contract prescribed in paragraph (1) shall include the following: *<Newly Inserted on Jan. 15, 2019>*

1. Matters concerning the standards for quality and labelling of quality of breeding materials supplied by the vertical integrator, such as livestock and feed;

2. Matters concerning the methods for calculating the prices of breeding materials the vertical integrator supplies to the contract farmer, such as livestock and feed;

3. Matters concerning the standards for the quality of livestock shipped by the contract farmer;

4. Matters concerning the detailed statements, methods of payment, and deadline for payment of amounts payable to farmers or farmer's charges;

5. Matters concerning the methods for evaluating the results of raising livestock and methods for calculating amounts payable to farmers based thereon;

6. Matters concerning ownership to the livestock the contract farmer raises by receiving it from the vertical integrator;
  7. Matters concerning standards for granting permission for livestock farming business prescribed in Article 22 (2) of the Livestock Industry Act and the obligations and responsibilities of persons who obtain permission for livestock farming business prescribed in Article 26 (1) of the same Act to perform the matters to be observed;
  8. Matters concerning mutual obligations and responsibilities for the prevention of contagious animal diseases;
  9. Matters concerning obligations and responsibilities to perform an order for slaughter prescribed in Article 20 of the Act on the Prevention of Contagious Animal Diseases;
  10. Matters concerning the receipt of compensation for slaughter prescribed in Article 48 of the Act on the Prevention of Contagious Animal Diseases;
  11. Matters concerning the receipt of amounts of the disaster insurance for livestock prescribed in subparagraph 2 of Article 2 and Article 4 of the Agricultural and Fishery Disaster Insurance Act;
  12. Where a contract farmer obtains hazardous analysis and critical control points prescribed in Article 9 (1) of the Livestock Products Sanitary Control Act, certification of organic livestock products prescribed in Article 19 (2) of the Act on the Promotion of Environment-Friendly Agriculture and Fisheries and the Management of and Support for Organic Foods, and certification of antibiotic-free livestock products prescribed in Article 34 (2) of the same Act, matters concerning certification costs, payment of additional amounts payable to farmers, and standards, methods, etc. for supplying breeding materials;
  13. Matters concerning the guarantee of payment of amounts payable to farmers for the protection of rights of contract farmers to receive amounts payable to farmers;
  14. Matters concerning the guarantee of payment of farmer's charges for the protection of claims for breeding materials, such as livestock and feed the vertical integrator supplies to the contract farmer;
  15. Other matters prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs, such as breeding facilities.
- (3) The contract farmer and the vertical integrator shall affix their signatures (including electronic signature defined in subparagraph 2 of Article 2 of the Digital Signature Act) to the contract prescribed in paragraph (1) or affix their signatures and seals to the contract, and the vertical integrator shall not request preparations for the performance of the contract, such as preparation for raising livestock, facilities, etc. before concluding a contract. <Newly Inserted on Jan. 15, 2019; Jun. 9, 2020>
- (4) The Minister of Agriculture, Food and Rural Affairs may designate a standard contract in consultation with the Fair Trade Commission and recommend vertical integrators, etc. to use it to establish fair trade order. <Amended on Mar. 23, 2013; Jan. 15, 2019>
- (5) A vertical integrator recommended by the Minister of Agriculture, Food and Rural Affairs to use a standard contract shall, when using a contract different from the standard contract, indicate the major

matters determined differently from those in the standard contract in a manner easily noticeable by the contract farmer. <Newly Inserted on Jan. 15, 2019>

(6) The Minister of Agriculture, Food and Rural Affairs may determine and publicly notify matters concerning quality standards and quality indication of materials for raising livestock under paragraph (2) 1; matters concerning quality standards of livestock shipped by contract farmers under subparagraph 3 of the aforesaid paragraph; and matters concerning facilities for raising livestock under subparagraph 15 of the aforesaid paragraph. <Amended on Mar. 23, 2013; Jan. 15, 2019>

#### **Article 7-2 (Evaluation of Results of Raising Livestock)**

(1) A vertical integrator may evaluate the results of raising livestock on the bases of the production costs, quality, etc. of the livestock shipped under contract with the contract farmer.

(2) The Minister of Agriculture, Food and Rural Affairs may determine and publicly notify matters necessary for evaluating the results of raising livestock, such as the methods and standards for evaluating the results of raising livestock.

#### **Article 7-3 (Contract Farmer Indemnity Insurance Contract)**

(1) To have vertical integrators indemnify contract farmers for losses caused by vertical integrators' bankruptcy, unilateral suspension of business, postponement of payment of amounts payable to contract farmers, etc., the Minister of Agriculture, Food and Rural Affairs may recommend the vertical integrators to conclude any of the following contracts (hereinafter referred to as "contract farmer indemnity insurance contract, etc."):

1. An insurance contract prescribed by the Insurance Business Act;
2. A liability payment guarantee contract of the institutions prescribed in Article 38 of the Act on the Establishment of Financial Services Commission to secure the payment of indemnities for contract farmers.

(2) A vertical integrator who concludes a contract farmer indemnity insurance contract, etc. may use a sign indicating such fact.

(3) No vertical integrator without contract farmer indemnity insurance contract, etc. shall use a sign prescribed in paragraph (2), nor manufacture or use a sign similar thereto.

(4) Matters necessary for contract farmer indemnity insurance contract, etc. shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

#### **Article 8 (Payment of Costs)**

(1) Amounts payable to farmers or farmer's charges that are mutually paid between contract farmers and vertical integrators under contract shall be paid in cash in principle: Provided, That where the both parties owe a liability to each other and both parties' period of performing the liability arrives, they may offset an equivalent amount, and in such case, they shall follow the Civil Act or the agreement made between the

both parties to the contract. *<Amended on Jan. 15, 2019>*

(2) Where livestock have been shipped to a vertical integrator by a contract farmer, the vertical integrator shall immediately issue a receipt irrespective of whether livestock have been inspected.

(3) A vertical integrator may calculate and pay amounts payable to farmers based on the results of evaluating the results of raising livestock prescribed in Article 7-2. *<Newly Inserted on Jan. 15, 2019>*

(4) The deadline for paying amounts payable to farmers shall be determined within the shortest period not exceeding 20 business days from the date the shipment of livestock or livestock products is completed (where compensation prescribed in Article 48 (1) 3 of the Act on the Prevention of Contagious Animal Diseases and insurance proceeds prescribed in subparagraph 5 of Article 2 of the Agricultural and Fishery Disaster Insurance Act are paid due to the dying, etc. of livestock, the date of such payment): Provided, That where there is any unavoidable cause, such as a natural disaster, the payment deadline may exceed 20 days based on an agreement between a contract farmer and a vertical integrator. *<Amended on Jan. 15, 2019>*

(5) Where the deadline for paying amounts payable to farmers is not determined or is determined in excess of 20 business days, in violation of the main clause of paragraph (4), the date livestock or livestock products are received (where compensation prescribed in Article 48 (1) 3 of the Act on the Prevention of Contagious Animal Diseases and insurance proceeds prescribed in subparagraph 5 of Article 2 of the Agricultural and Fishery Disaster Insurance Act are paid due to the dying, etc. of livestock, the date of such payment) shall be deemed fixed as the payment deadline. *<Amended on Jan. 15, 2019>*

(6) Where a vertical integrator pays an amount payable to farmers after the payment deadline without good cause, he/she shall pay the cost of raising livestock plus interest based on the interest rate prescribed by Presidential Decree for the period after the payment deadline. *<Amended on Jan. 15, 2019>*

(7) The deadline for paying farmer's charges shall be the date a contract farmer receives an amount payable to farmers, and detailed matters, such as the methods and timing of payment and the extension of deadline for payment, shall be determined by the contract between contract farmers and vertical integrators. *<Newly Inserted on Jan. 15, 2019>*

## **Article 9 (Matters to Be Observed)**

(1) No vertical integrator shall conduct any of the following acts that are feared to harm win-win relationships by which the contract farmer and the vertical integrator can make a complementary development on an equal footing: *<Amended on Mar. 23, 2013; Jan. 15, 2019>*

1. Inflicting disadvantages on contract farmers by unfairly supplying breeding materials, such as livestock and feed, or receiving livestock or livestock products shipped by contract farmers;
2. Inflicting disadvantages on contract farmers by unfairly paying or settling amounts payable to farmers prescribed in subparagraph 7 of Article 2, compensation prescribed in Article 48 (1) 3 of the Act on the Prevention of Contagious Animal Diseases, and insurance proceeds prescribed in subparagraph 5 of Article 2 of the Agricultural and Fishery Disaster Insurance Act;

3. Inflicting disadvantages on contract farmers with unfair requests related to a vertical integration contract, and revision or non-performance of such contract;
  4. Acts other than those provided for in subparagraphs 1 through 3, which are feared to harm win-win relationships between contract farmers and vertical integrators;
  5. Deleted; <Jan. 15, 2019>
  6. Deleted; <Jan. 15, 2019>
  7. Deleted; <Jan. 15, 2019>
  8. Deleted. <Jan. 15, 2019>
- (2) The types of or standards for the acts in paragraph (1) shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs. <Newly Inserted on Jan. 15, 2019>
- (3) If necessary to prevent acts in violation of paragraph (1), the Minister of Agriculture, Food and Rural Affairs may enact and publish guidelines to be observed by vertical integrators. <Newly Inserted on Jan. 15, 2019>
- (4) No contract farmer shall engage in any of the following: <Amended on Mar. 23, 2013; Jan. 15, 2019>
1. Evading the shipment of livestock where the price of livestock rises;
  2. Violating the contract terms concerning the quality of livestock supplied by a vertical integrator and the date of shipment;
  3. Unreasonably requesting the vertical integrator to raise amounts payable to farmers, etc.;
  4. Inflicting disadvantages on the vertical integrator with amending the contract or failing to perform under the contract without prior notice;
  5. Unreasonably requesting matters not specified in the contract;
  6. Other acts prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs that disrupt trading order.

## **Article 9-2 (Registration of Disclosure Documents)**

- (1) A vertical integrator shall register the disclosure documents that he/she provides to contract farmers with the Mayor/Do Governor.
- (2) The disclosure documents prescribed in paragraph (1) shall include the matters prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs as to the following:
1. Current status of the vertical integrator in general;
  2. Current status of the vertical integration of the vertical integrator (including matters concerning the amounts payable to farmers that he/she pays to the contract farmers);
  3. Where a vertical integrator or any of his/her executive officers (referring to executive officers defined in subparagraph 5 of Article 2 of the Monopoly Regulation and Fair Trade Act; hereinafter the same shall apply) falls under any of the following cases, such fact:
    - (a) Where a vertical integrator or any of his/her executive officers violates this Act, the Monopoly Regulation and Fair Trade Act, or the Act on the Regulation of Terms and Conditions;

(b) Where a vertical integrator or any of his/her executive officers is subject to a final and conclusive court decision declaring his/her defeat or reaches a settlement in a civil case related to a crime of taking possession of or obtaining by fraud another person's property, such as fraud, embezzlement, and dereliction of duty;

(c) Where a vertical integrator or any of his/her executive officers is sentenced to a punishment by taking possession of or obtaining by fraud another person's property, such as fraud, embezzlement, and dereliction of duty;

4. Vertical integrator's charges;

5. Conditions of and restrictions on raising livestock under contract;

6. Detailed procedures and duration of raising livestock under contract;

7. Matters concerning the vertical integrator's supports, and education and training for business management, raising livestock under contract, etc.

(3) Where a vertical integrator intends to change the important matters prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs among the matters entered in the disclosure document registered pursuant to paragraph (1), he/she shall file a registration for the change of such matters entered with the Mayor/Do Governor by the deadline prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs: Provided, That where he/she intends to change minor matters prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs, he/she shall report thereon.

(4) The Minister of Agriculture, Food and Rural Affairs shall publish the disclosure documents registered, registered for change, or reported pursuant to paragraph (1) or (3): Provided, That personal information defined in subparagraph 1 of Article 2 of the Personal Information Protection Act and trade secrets defined in subparagraph 2 of Article 2 of the Unfair Competition Prevention and Trade Secret Protection Act shall be excluded therefrom.

(5) Where the Minister of Agriculture, Food and Rural Affairs publishes a disclosure document pursuant to paragraph (4), he/she shall notify the relevant vertical integrator of the matters and methods of publication in advance, and provide the vertical integrator with an opportunity to correct untruthful matters.

(6) To publish disclosure documents pursuant to paragraph (4), the Minister of Agriculture, Food and Rural Affairs may construct and operate an information system within budgetary limits.

(7) To publish disclosure documents pursuant to paragraph (4), the Minister of Agriculture, Food and Rural Affairs may have Mayors/Do Governors put necessary data into the information system prescribed in paragraph (6) or submit necessary data.

(8) Other matters necessary for the registration, registration for change, reporting of disclosure documents, methods and procedures of publication, and construction and operation of the information system shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

### **Article 9-3 (Refusal of Registration of Disclosure Documents)**

Where an application for the registration of a disclosure document prescribed in Article 9-2 falls under any of the following cases, the Mayor/Do Governor may refuse to register the disclosure document or request the change of the details thereof:

1. Where the matters entered in the disclosure document or other documents for application are untrue or necessary matters are not entered in the disclosure documents and other documents for application;
2. Where the matters prohibited by other statutes are included in the details of vertical integration mentioned in the disclosure document.

### **Article 9-4 (Revocation of Registration of Disclosure Documents)**

(1) Where a disclosure document falls under any of the following cases, the Minister of Agriculture, Food and Rural Affairs and the Mayor/Do Governor may revoke the registration thereof: Provided, That in cases falling under subparagraphs 1 and 2, they shall revoke the relevant registration:

1. Where a disclosure document is registered by fraud or other improper means;
2. Where important matters prescribed in the main clause of Article 9-2 (3) are omitted in a disclosure document;
3. Where a disclosure document falls under subparagraph 2 of Article 9-3;
4. Where the vertical integrator reports the closure of business.

(2) The Minister of Agriculture, Food and Rural Affairs and Mayors/Do Governors may publish a list of names of vertical integrators whose registration of a disclosure document is revoked.

### **Article 9-5 (Obligation of Provision of Disclosure Documents)**

(1) A vertical integrator shall provide a farmer who desires to conclude a contract with a disclosure document registered, registered for change, or reported pursuant to Article 9-2 (1) and (3) by the methods prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs which can objectively verify the point of time of provision, such as contents-certified mail.

(2) Where a vertical integrator fails to provide a registered disclosure document by the methods prescribed in paragraph (1), or has not passed fourteen days since he/she provides a disclosure document, etc. (where a farmer who desires to conclude a contract receives legal advice from an attorney-at-law on the disclosure document, seven days), he/she shall not conclude a vertical integration contract with the farmer who desires to conclude a contract.

(3) The Minister of Agriculture, Food and Rural Affairs may determine a standard form of disclosure document and encourage vertical integrators to use the standard form.

### **Article 9-6 (Prohibition of Provision of False or Exaggerated Information)**

(1) No vertical integrator shall conduct the following acts when providing information to farmers who desire to conclude a contract or contract farmers:

1. Providing false or exaggerated information prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs, such as providing untruthful information or providing information by inflating facts (hereinafter referred to as "provision of false or exaggerated information");
  2. Providing deceitful information prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs, such as providing information by means of concealing or diminishing facts that immensely affect the conclusion or maintenance of contract (hereinafter referred to as "provision of deceitful information").
- (2) Where a vertical integrator provides any of the following information to farmers who desire to conclude a contract or contract farmers, he/she shall provide such information in writing (hereinafter referred to as "written statement of calculation of estimated return of raising livestock"):
1. Information on the status of expected return in the future of farmers who desire to conclude a contract, including the number of breeding animals, return and net profit of amounts payable to farmers, etc.;
  2. Information on the status of return in the past and the status of expected return in the future of contract farmers, including the number of breeding animals, return and net profit of amounts payable to farmers, etc.
- (3) Where a vertical integrator provides information pursuant to paragraph (2), he/she shall keep the materials serving as the bases of the calculation of such information and prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs in the office of the vertical integrator, and shall make it possible to inspect such materials any time during business hours when requested by farmers who desire to conclude a contract or contract farmers.
- (4) A vertical integrator shall keep written statements of calculation of estimated return of raising livestock for five years from the date the contract is concluded.

#### **Article 10 (Evaluation and Grading of Vertical Integrators)**

- (1) In order to enhance the level of vertical integration and develop outstanding and exemplary vertical integrators, the Minister of Agriculture, Food and Rural Affairs may evaluate and grade the operation, actual status of performance of business, etc. of vertical integration and publish the results thereof.
- (2) The Minister of Agriculture, Food and Rural Affairs may reflect the results of evaluation and grading prescribed in paragraph (1) in the management and cultivation of vertical integrators and provision of financial and taxational support, exclusion from such provision, etc.
- (3) For the evaluation and grading of vertical integrators prescribed in paragraph (1), the Minister of Agriculture, Food and Rural Affairs may conduct necessary investigations or request vertical integrators to submit materials. In such case, the vertical integrators shall comply therewith unless there is a compelling reason not to do so.
- (4) A person who conducts an investigation pursuant to the former part of paragraph (3) shall carry a certificate indicating his/her authority and present it to the persons subject to the investigation.

(5) Matters necessary for the standards, methods, and procedures for the evaluation and grading of vertical integrators and the publication of results under paragraph (1) shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

**Article 11 Deleted.** <Jan. 15, 2019>

**Article 12 Deleted.** <Jan. 15, 2019>

**Article 13 Deleted.** <Jan. 15, 2019>

**Article 14 (Council of Contract Farmers)**

(1) Contract farmers may voluntarily establish the council of farmers raising livestock under contract (hereinafter referred to as the "council of farmers") to form a mutually equal contractual relationship with, and to create infrastructure for confidence in, a vertical integrator.

(2) Where it is necessary to make changes in connection to the terms and conditions of contract, quality of livestock, feed, etc., plans for raising livestock, disease control, and operation, adjustment of amounts payable to farmers or farmer's charges in consideration of inflation rates, etc., vertical integrators shall determine such changes in consultation with the council of farmers prescribed in paragraph (1): Provided, That the same shall not apply to contract farmers without the establishment of the council of farmers. <Amended on Jan. 15, 2019>

(3) The council of farmers may request vertical integrators to consult on the matters in paragraph (2). In such case, the vertical integrators shall comply therewith unless there is good cause to the contrary. <Newly Inserted on Jan. 15, 2019>

(4) Where a dispute arises between a contract farmer and a vertical integrator, the council of farmers may consult with the vertical integrator, representing or on behalf of the contract farmer. <Amended on Jan. 15, 2019>

(5) No vertical integrator shall interfere with the formation and activities of the council of farmers nor conduct acts to inflict disadvantages, etc. on contract farmers on the pretext that the contract farmers form the council of farmers. <Amended on Jan. 15, 2019>

(6) The council of farmers may establish the central council of farmers raising livestock under contract (hereinafter referred to as the "central council of farmers") by the type of livestock to consult on the following matters: <Newly Inserted on Jan. 15, 2019; May 19, 2020>

1. Matters concerning win-win measures for the complementary development of contract farmers and vertical integrators;
2. Matters concerning the terms and conditions of contract between contract farmers and vertical integrators, amounts payable to farmers, farmer's charges, etc.

(7) Matters necessary for the organization, operation, etc. of councils of farmers and central councils of farmers shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs. <Newly Inserted on Jan. 15, 2019>

**Article 15 Deleted.** <Jan. 15, 2019>

## CHAPTER IV VERTICAL INTEGRATION DISPUTE MEDIATION COMMITTEE, DISPUTE MEDIATION

### **Article 16 (Establishment of Dispute Mediation Committee on Vertical Integration in Livestock Industry)**

(1) The Dispute Mediation Committee on Vertical Integration in the Livestock Industry (hereinafter referred to as the "Mediation Committee") shall be established in the Ministry of Agriculture, Food and Rural Affairs to mediate disputes between vertical integrators and contract farmers. <Amended on Mar. 23, 2013>

(2) Subcommittees by the type of livestock may be established in the Mediation Committee for the efficient operation thereof, and the chairperson of the Mediation Committee shall prescribe necessary matters concerning the formation and operation of the subcommittees following resolutions adopted by the Mediation Committee. <Amended on May 19, 2020>

### **Article 17 (Affairs under Jurisdiction of Mediation Committee)**

Affairs under the jurisdiction of the Mediation Committee shall be as follows: <Amended on Jan. 15, 2019>

1. Matters concerning written contracts under Article 7;
2. Matters concerning the payment of costs, etc. under Article 8;
3. Matters concerning whether a vertical integrator complies with matters to be observed under Article 9;
4. Other matters deemed necessary by the chairperson of the Mediation Committee to mediate a dispute.

**Article 18 Deleted.** <Jan. 15, 2019>

### **Article 19 (Composition of Mediation Committee)**

(1) The Mediation Committee shall be comprised of not more than seven members, including one chairperson. <Amended on Jan. 15, 2019>

(2) Members shall be appointed or commissioned by the Minister of Agriculture, Food and Rural Affairs from among the following persons, and the chairperson shall be elected among and by the members: <Amended on Jan. 15, 2019>

1. A public official of at least Grade IV belonging to the Ministry of Agriculture, Food and Rural Affairs and the Korea Fair Trade Commission (including public officials in general service belonging to the Senior Executive Service) or a person who holds or held office in public institutions equivalent thereto and has experience or professional knowledge in fair trade;
  2. A person qualified as a judge, public prosecutor, or attorney-at-law;
  3. A person whose major is related to jurisprudence, economy, business management, consumer, and livestock industry and who works or worked for a university or officially recognized research institute as at least an associate professor or in a position equivalent thereto for at least seven years.
- (3) The members of the Mediation Committee shall be non-permanent members and the term of office shall be three years, and they may serve consecutive terms. *<Amended on Jan. 15, 2019>*
- (4) Where there occurs a vacancy in the members, a supplementary member shall be commissioned pursuant to paragraph (2), and the term of office of the supplementary member shall be the remaining term of office of his/her predecessor. *<Newly Inserted on Jan. 15, 2019>*
- (5) No member shall be dismissed against his/her will unless he/she falls under any of the following cases: *<Newly Inserted on Jan. 15, 2019>*

1. Where a member is sentenced to a punishment of suspension of qualification or a heavier punishment;
2. Where a member becomes unable to perform his/her duties due to mental or physical disorder;
3. Where a member engages in any misconduct in connection with his/her duties;
4. Where a member is deemed unsuitable as a member due to neglect of a duty or loss of dignity.

**Article 20 Deleted.** *<Jan. 15, 2019>*

#### **Article 21 (Grounds for Disqualification)**

None of the following persons shall serve as a member of the Mediation Committee: *<Amended on Mar. 18, 2014>*

1. An adult placed under legal guardianship, a quasi-incompetent placed under legal guardianship, or a person declared bankrupt who has not been reinstated;
2. A person in whose case two years have not passed from the date he/she served his/her sentence (including cases where he/she is deemed to have served his/her sentence) or his/her sentence was exempted after he/she had been sentenced to imprisonment or severer punishment;
3. A person who was sentenced to imprisonment or a more severe punishment with a stay of execution and the execution of his/her sentence is being stayed;
4. A person whose qualification has been suspended by a court decision or pursuant to Acts.

#### **Article 22 (Duties of Chairperson)**

(1) The chairperson of the Mediation Committee shall represent the Mediation Committee and exercise general supervision over its affairs.

(2) Where the chairperson of the Mediation Committee is unable to perform his/her duties due to any unavoidable cause, a member designated in advance by the chairperson from among the relevant members shall act on behalf of the chairperson.

### **Article 23 (Exclusion, Challenge, and Abstention of Members)**

(1) Where a member of the Mediation Committee falls under any of the following cases, he/she shall be excluded from mediating the subject matter of the relevant dispute mediation: *<Amended on Jan. 15, 2019>*

1. Where the member or his/her current or former spouse becomes a party to the dispute over the subject matter of the relevant dispute mediation or has a right or duty jointly with a party to the dispute in connection with the subject matter of the relevant dispute mediation;

2. Where the member is or was a relative prescribed in Article 777 of the Civil Act of a party to the dispute over the subject matter of the relevant dispute mediation;

3. Where the member or a corporation to whom he/she belongs is a consultant or advisor on legal affairs, management, etc. of a party to the dispute;

4. Where the member or a corporation to whom he/she belongs is or was involved in the subject matter of the relevant dispute mediation as an agent of a party to the dispute, or provided testimony or appraisal on the relevant dispute.

(2) Where a member is deemed unlikely to conduct fair mediation, a party to the dispute may file an application for challenge against the member with the Mediation Committee, and the Mediation Committee shall determine it by resolution. In such case, no member against whom the application for challenge is filed shall not participate in making the resolution. *<Amended on Jan. 15, 2019>*

(3) Where a member falls under the causes prescribed in paragraph (1) or (2), he/she may voluntarily abstain from mediating the subject matter of the relevant dispute mediation, with leave from the chairperson. *<Amended on Jan. 15, 2019>*

(4) Deleted. *<Jan. 15, 2019>*

(5) Deleted. *<Jan. 15, 2019>*

### **Article 24 Deleted.** *<Jan. 15, 2019>*

### **Article 25 (Application for Dispute Mediation)**

(1) A contract farmer or a vertical integrator who suffers damage caused by an act related to matters specified in the subparagraphs of Article 17 may apply for dispute mediation by submitting a document stating matters prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs (hereinafter referred to as "application for dispute mediation") to the competent Mayor/Do Governor or to the Mediation Committee: Provided, That the same shall not apply in any of the following cases:

*<Amended on Jan. 15, 2019>*

1. Where it is appropriate to be handled pursuant to Articles 31 and 33 hereof or Articles 24 and 51 of the Monopoly Regulation and Fair Trade Act in consideration of the details, nature, seriousness, etc. of the application for dispute mediation;
2. Where the Ministry of Agriculture, Food and Rural Affairs or the Korea Fair Trade Commission is investigating the case before an application for dispute mediation application is filed;
3. Where a lawsuit is raised at the court;
4. Where dispute mediation by other statutes is in progress or is established;
5. Where it is deemed inappropriate to be mediated by the Medication Committee due to the nature of the case;
6. Where an application for dispute mediation is deemed filed for unjust purposes.

(2) Upon receipt of an application for dispute mediation pursuant to paragraph (1), a Mayor/Do Governor or the Mediation Committee shall accept it after reviewing whether it falls under the acts or cases specified in the subparagraphs of paragraph (1), and notify the parties to the dispute of such acceptance, etc. without delay, as prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs: *<Amended on Mar. 23, 2013; Jan. 15, 2019>*

1. Deleted; *<Jan. 15, 2019>*
2. Deleted; *<Jan. 15, 2019>*
3. Deleted; *<Jan. 15, 2019>*
4. Deleted. *<Jan. 15, 2019>*

(3) Where a Mayor/Do Governor accepts an application for dispute mediation pursuant to paragraph (2), he/she shall notify the Mediation Committee of the results of review prescribed in paragraph (2) along with a copy of the application for dispute mediation within 10 days from the date he/she accepts the application for dispute mediation, and may recommend the parties to the dispute to make an agreement, and where they fail to make an agreement within 20 days, he/she shall refer to the Mediation Committee therefor without delay. *<Amended on Jan. 15, 2019>*

(4) Notwithstanding paragraph (3), where the chairperson of the Mediation Committee deems necessary to take prompt measures in consideration of the details, nature, seriousness, etc. of the application for dispute mediation he/she is notified of by the Mayor/Do Governor pursuant to paragraph (2), he/she may refer to the Mediation Committee therefor by authority without undergoing the procedure during which the Mayor/Do Governor recommends to make an agreement. In such case, he/she shall notify the competent Mayor/Do Governor of such fact. *<Amended on Jan. 15, 2019>*

(5) An application for dispute mediation prescribed in paragraph (1) shall take the effect of suspending prescription: Provided, That the same shall not apply where an application is withdrawn or dismissed. *<Amended on Jan. 15, 2019>*

(6) Where there is a judicial claim, participation in bankruptcy procedures, seizure or provisional seizure, or provisional disposition within six months in cases falling under the proviso of paragraph (5), the

prescription shall be deemed suspended by the first application for dispute mediation. <Amended on Jan. 15, 2019>

(7) Prescription suspended pursuant to the main clause of paragraph (5) shall newly proceed from any of the following points of time: <Newly Inserted on Jan. 15, 2019>

1. When a mediation report is prepared after a dispute mediation is established;
2. When a mediation procedure is terminated without the establishment of a dispute mediation.

#### **Article 25-2 (Mediation of Disputes)**

(1) The Mediation Committee may recommend parties to a dispute to make an agreement about the subject matter of the dispute mediation by themselves, or prepare and present a mediation proposal.

(2) Parties to a dispute who receive a recommendation prescribed in a mediation proposal in paragraph (1) shall inform the Mediation Committee of their approval or disapproval for the mediation proposal within 15 days from the date they receive the recommendation. In such case, where there is no declaration of intention within 15 days, they shall be deemed to accept it.

(3) If necessary to verify the truthfulness of the subject matter of the relevant dispute mediation, the Mediation Committee may conduct investigations, or request the submission of relevant materials or appearance to the parties to the dispute or witnesses. In such case, the parties to the dispute shall comply with such request unless there is good cause to the contrary.

(4) The Mediation Committee shall dismiss applications for mediation as to the acts or cases falling under the subparagraphs of Article 25 (1). The same shall apply to disputes Mayors/Do Governors notify of pursuant to Article 25 (3).

(5) The Mediation Committee shall terminate mediation in any of the following cases:

1. Where mediation is established by the acceptance of the recommendation or mediation proposal of the Mediation Committee prescribed in Article 25-2 (1) or submission of an agreement on mediation, etc. by parties to a dispute;
2. Where mediation is not established even after the lapse of 30 days (where both parties to a dispute agree on the extension of the period, 60 days) from the date an application for dispute mediation is received pursuant to Article 25 (1) or from the date a notice of the Mayor/Do Governor is received pursuant to paragraph (3) of the same Article;
3. Where an application for dispute mediation is withdrawn;
4. Where there is no practical benefit from proceeding with mediation procedures due to rejecting mediation or filing a litigation with a court as to the subject matter of the relevant dispute mediation by one party to a dispute.

(6) Where the Mediation Committee dismisses an application for mediation or terminates procedures for mediation, it shall report the sequences of the mediation, grounds of dismissing the application for mediation or terminating the procedures for mediation, etc. to the Minister of Agriculture, Food and Rural Affairs along in writing with relevant documents without delay, as prescribed by Ordinance of the

Ministry of Agriculture, Food and Rural Affairs, and notify the parties to the dispute of such fact.

(7) The Minister of Agriculture, Food and Rural Affairs and the Korea Fair Trade Commission shall not take measures for correction nor give a recommendation for correction prescribed in Articles 31 and 33 hereof, or Articles 24 and 51 of the Monopoly Regulation and Fair Trade Act against or to the parties to the relevant dispute until the procedures for mediation terminate as to the subject matter of the dispute mediation by this Act.

#### **Article 25-3 (Notification of Violation)**

Where the Mediation Committee deems that a party to a dispute or any interested person violates statutes or regulations in the course of mediating a dispute, it shall notify the relevant agency of such violation and request such agency to take appropriate measures therefor: Provided, That the same shall not apply in the following cases:

1. Where a party to a dispute corrects the violation of statutes or regulations after making an agreement on compensation;
2. Where the relevant agency is under investigation, already aware of the violation.

**Article 26 Deleted.** <Jan. 15, 2019>

**Article 27 Deleted.** <Jan. 15, 2019>

#### **Article 28 (Preparation of Mediation Report and Validity thereof)**

(1) Where mediation on the subject matter of dispute mediation is established, the Mediation Committee shall prepare a mediation report to which members who participate in mediation and the parties to the dispute affix their signatures or signatures and seals. <Amended on Jan. 15, 2019>

(2) Where the parties to a dispute settles the dispute that requires mediation for themselves and require the Mediation Committee to prepare a mediation report before it commences the process of mediation, the Mediation Committee may prepare the mediation report.

(3) A mediation report prescribed in paragraph (1) or (2) may include reinstatement within the extent not going against the intent of the application for dispute mediation, indemnity, and other measures necessary for damage relief. <Newly Inserted on Jan. 15, 2019>

(4) Parties to a dispute shall perform the matters they agree upon in the mediation, and submit the results of the performance thereof to the Minister of Agriculture, Food and Rural Affairs. <Newly Inserted on Jan. 15, 2019>

(5) Where an agreement is reached pursuant to paragraph (1) and the matters agreed are performed, the Minister of Agriculture, Food and Rural Affairs or the Korea Fair Trade Commission shall not take measures for correction nor give a recommendation for correction prescribed in Articles 31 and 33 hereof or Articles 24 and 51 of the Monopoly Regulation and Fair Trade Act. <Newly Inserted on Jan. 15, 2019>

(6) Where a mediation report is prepared pursuant to paragraph (1) or (2), the mediation report shall take the same effect as that of judicial conciliation. <Newly Inserted on Jan. 15, 2019>

#### **Article 28-2 (Operation of Mediation Committee)**

Except as provided in Articles 16 through 28, detailed matters necessary for the organization, operation, procedures for mediation, etc. of the Mediation Committee shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

**Article 29 Deleted.** <Jan. 15, 2019>

## CHAPTER VII SUPPLEMENTARY PROVISIONS

#### **Article 29-2 (Reporting of Offenses)**

(1) If deemed necessary for measures for correction prescribed in Article 31 or recommendation to correct offenses prescribed in Article 33, the Minister of Agriculture, Food and Rural Affairs may conduct necessary investigations by authority.

(2) Anyone who finds a violation of this Act may report such fact to the Minister of Agriculture, Food and Rural Affairs.

(3) Where the Minister of Agriculture, Food and Rural Affairs conducts an investigation pursuant to paragraph (1) or (2), he/she shall notify the party to the relevant case of the results thereof (where he/she intends to take a disposition, such as an order to take measures for correction as a result of the investigation, including the details of the disposition) in writing.

(4) Where the following periods elapse, the Minister of Agriculture, Food and Rural Affairs shall not order measures for correction nor impose a penalty surcharge prescribed by this Act against offenses in violation of this Act: Provided, That the same shall not apply where a disposition of measures for correction or imposition of a penalty surcharge is revoked by a court decision and a new disposition is taken on the grounds of the court decision:

1. Where the Minister of Agriculture, Food and Rural Affairs commences an investigation into an offense in violation of this Act, five years from the date the investigation is commenced;
2. Where the Minister of Agriculture, Food and Rural Affairs has not commenced an investigation into an offense in violation of this Act, seven years from the date the relevant offense ends.

(5) If deemed necessary to conduct an investigation on the grounds specified in the subparagraphs of Article 9 (1), the Minister of Agriculture, Food and Rural Affairs or a Mayor/Do Governor shall consult with the Korea Fair Trade Commission before commencing the investigation. Where an investigation prescribed in Article 49 of the Monopoly Regulation and Fair Trade Act is under way or the Korea Fair Trade Commission has taken a measure for correction or imposed a penalty surcharge on the same grounds, he/she shall not take a measure for correction nor impose a penalty surcharge prescribed by this

Act.

**Article 29-3 (Investigation of Offenses)**

(1) If deemed necessary for the enforcement of this Act, the Minister of Agriculture, Food and Rural Affairs may take the following dispositions, as prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs:

1. Appearance of and listing to the opinions of parties concerned, interested persons, or witnesses;
2. Ordering contract farmers, vertical integrators, or executive officers and employees of vertical integrators to report on the costs and status of business management or to submit necessary materials or things, or keeping materials or things submitted in custody.

(2) If deemed necessary for the enforcement of this Act, the Minister of Agriculture, Food and Rural Affairs may assign the public officials under his/her control to access the offices or places of business of contract farmers and vertical integrators to inspect business, status of business management, account books, documents, computerized data, voice data, image data, and other materials and things prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs, and may assign such public officials to listen to the statements of parties concerned, interested persons, or witnesses at designated places, as prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

(3) A public official who conducts an investigation pursuant to paragraph (2) may order contract farmers, vertical integrators, or executive officers and employees of vertical integrators to submit materials or things necessary for the investigation or keep the materials or things submitted in custody, as prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

(4) A public official who conducts an investigation pursuant to paragraph (2) shall present a certificate indicating his/her authority to relevant persons.

(5) Except as provided in this Act, the details, procedures, methods, etc. of questioning or investigation prescribed in paragraphs (2) and (3) shall be governed by the Framework Act on Administrative Investigations.

**Article 29-4 (Prohibition of Abuse of Right to Investigate)**

Investigative public officials shall conduct investigations within the minimum extent necessary for the enforcement of this Act, and shall not abuse the right to investigate for other purposes, etc.

**Article 29-5 (Requests for Postponement of Investigation)**

(1) Where a contract farmer, vertical integrator, or any executive officer or employee of a vertical integrator who has become subject to a disposition or investigation taken or conducted by the Minister of Agriculture, Food and Rural Affairs pursuant to Article 29-3 (1) through (3) is in a difficult position to perform the disposition or receive the investigation due to a natural disaster or other causes prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs, he/she may request the Minister of

Agriculture, Food and Rural Affairs to postpone the disposition or investigation, as prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

(2) Where the Minister of Agriculture, Food and Rural Affairs receives a request for the postponement of a disposition or investigation pursuant to paragraph (1), he/she shall review the grounds therefor and may, if the grounds are deemed reasonable, postpone the disposition or investigation.

**Article 30 Deleted.** <Jan. 15, 2019>

### **Article 31 (Corrective Measures)**

(1) Where an offense in violation of Articles 7 through 9, and 14 is committed, the Minister of Agriculture, Food and Rural Affairs or the Mayor/Do Governor may order the insertion or deletion of the relevant contract clause, payment of costs, suspension of unfair acts, measures to prevent the repetition of unfair acts, suspension of the relevant offense, publication of the fact of being subject to a corrective order, and other measures necessary for correction to the relevant contract farmer or vertical integrator.

<Amended on Mar. 23, 2013; Jan. 15, 2019>

(2) Matters necessary for procedures, methods, etc. of corrective measures prescribed in paragraph (1) shall be prescribed by Presidential Decree. <Amended on Jan. 15, 2019>

### **Article 32 (Reporting, Inspection, and Disclosure)**

(1) The Minister of Agriculture, Food and Rural Affairs or a Mayor/Do Governor may order vertical integrators and contract farmers to file reports or submit documents concerning the formulation of policies on vertical integration and the reasonable operation thereof; or shall assign public officials under his/her jurisdiction to ask the relevant persons questions or inspect related documents. <Amended on Mar. 23, 2013; Jan. 15, 2019>

(2) In cases falling under paragraph (1), the Minister of Agriculture, Food and Rural Affairs or a Mayor/Do Governor may require vertical integrators to submit data, such as the status of the raising of livestock. <Amended on Mar. 23, 2013; Jan. 15, 2019>

(3) A public official who conducts an inspection pursuant to paragraph (1) shall carry a certificate indicating his/her authority and produce it to relevant persons.

(4) The current status, etc. of the raising of livestock of vertical integrators submitted pursuant to paragraph (2) may be disclosed for regulating supply and demand and transparency in distribution: Provided, That the foregoing shall not apply to trade secrets defined in subparagraph 2 of Article 2 of the Unfair Competition Prevention and Trade Secret Protection Act. <Newly Inserted on Oct. 31, 2017>

(5) Information subject to disclosure, methods, procedures, etc. for disclosing information under paragraph (4), shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs. <Newly Inserted on Oct. 31, 2017>

### **Article 32-2 (Reporting and Disclosure of Selling Prices)**

(1) A vertical integrator shall report the selling prices of livestock products to the Minister of Agriculture, Food and Rural Affairs, as prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

(2) To encourage a sound competition by enhancing transparency in trade and seek the optimization of prices of livestock products, the Minister of Agriculture, Food and Rural Affairs shall disclose the selling prices of livestock products of vertical integrators within the extent not infringing trade secrets defined in subparagraph 2 of Article 2 of the Unfair Competition Prevention and Trade Secret Protection Act.

(3) The Minister of Agriculture, Food and Rural Affairs may entrust affairs concerning the reporting and disclosure of selling prices of livestock products prescribed in paragraphs (1) and (2) to the institutions or organizations prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

(4) Detailed procedures, methods, subject matter, scope, etc. of reporting, disclosure, etc. of selling prices of livestock products prescribed in paragraphs (1) through (3) shall be prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs.

### **Article 32-3 (Fact-Finding Surveys in Writing)**

(1) To establish a fair trade order in vertical integration, the Minister of Agriculture, Food and Rural Affairs may conduct a fact-finding survey on trades between vertical integrators, contract farmers, breeding material suppliers, slaughter and processing business entities, etc. in writing and publish the results thereof.

(2) Where the Minister of Agriculture, Food and Rural Affairs intends to conduct a fact-finding survey in writing pursuant to paragraph (1), he/she shall formulate a plan including the scope of objects of survey, period of survey, matters to be surveyed, methods of survey, procedures of survey, scope of results of survey to be published, etc., and may request persons subject to survey to submit materials necessary to conduct a fact-finding survey on trade in writing.

(3) Where the Minister of Agriculture, Food and Rural Affairs requests the submission of materials pursuant to paragraph (2), he/she shall inform the person subject to the survey thereof in writing, specifying the scope and details of materials, grounds of the request, deadline for submission, etc.

(4) Where a person subject to survey receives a request prescribed in paragraph (2), he/she shall not submit false materials, nor refuse or evade the submission of materials.

### **Article 33 (Recommendation for Correction of Offenses)**

(1) Where an offense in violation of this Act is committed, the Minister of Agriculture, Food and Rural Affairs or the Mayor/Do Governor may determine measures for correction and recommend the relevant vertical integrator or contract farmer to comply with such measures. *<Amended on Mar. 23, 2013; Jan. 15, 2019>*

(2) A person who receives a recommendation pursuant to paragraph (1) shall notify the Minister of Agriculture, Food and Rural Affairs or the Mayor/Do Governor of his/her acceptance or non-acceptance of the relevant recommendation within 10 days from the date he/she receives the recommendation for correction. <Newly Inserted on Jan. 15, 2019>

(3) Where a person who receives a recommendation for correction pursuant to paragraph (1) accepts the relevant recommendation, measures for correction by this Act are deemed ordered. <Newly Inserted on Jan. 15, 2019>

#### **Article 34 (Confidentiality)**

None of the following persons shall provide or divulge the information or materials they acquire in the course of performing their duties to other persons or institutions nor use such information or materials for other than the purposes of their duties: <Amended on Jan. 15, 2019>

1. A member or public official who engages or engaged in duties, such as investigation, reporting, and inspection;
2. A member who took charge of dispute mediation in the Mediation Committee.

#### **Article 34-2 (Liability to Compensate Damage)**

(1) Where a vertical integrator inflicts damage on a contract farmer by violating this Act, he/she shall be liable to compensate the contract farmer for the damage: Provided, That the same shall not apply where it is proved that the damage is not caused by the intention or negligence of the vertical integrator.

(2) Notwithstanding paragraph (1), where a vertical integrator inflicts damage on a contract farmer by violating Article 9 (1), he/she shall be liable to compensate within the extent not exceeding three times the damage caused to the contract farmer: Provided, That the same shall not apply where it is proved that the damage is not caused by the intention or negligence of the vertical integrator.

(3) Where a court determines the amount of compensation prescribed in paragraph (2), it shall consider the following matters:

1. The degree of awareness of intention or likelihood of occurrence of damage;
2. The scale of the damage inflicted on the contract farmer by the offense;
3. Economic benefits the vertical integrator acquires from the offense;
4. Fines and penalty surcharges against the offense;
5. Periods and frequency of committing an offense;
6. Financial status of the vertical integrator;
7. The degree of vertical integrator's making effort to relieve damage.

#### **Article 34-3 (Legal Fiction as Public Officials in Application of Penalty Provisions)**

A non-public official member of the Medication Committee shall be deemed a public official in applying Articles 129 through 132 of the Criminal Act.

## CHAPTER VIII PENALTY PROVISIONS

### Article 35 (Penalty Provisions)

(1) Any of the following persons shall be punished by imprisonment with labor for not more than three years or by a fine not exceeding 150 million won: <Amended on Oct. 15, 2014; Jan. 15, 2019>

1. A person who engages in vertical integration without filing a registration of vertical integration, in violation of Article 5-2;
2. A person who files a registration prescribed in Article 5-3 by fraud or other improper means;
3. A person who continues to conduct business in violation of an order to suspend business prescribed in Article 5-6;
4. A person who continues to engage in vertical integration prescribed by this Act even after his/her registration is revoked pursuant to Article 5-6;
5. A person who provides false or exaggerated information or deceitful information, in violation of Article 9-6 (1);
6. A person who fails to report or submit necessary materials or things prescribed in Article 29-3 (1) 2 or (3) or reports or submits materials or things in falsehood;
7. A person who refuses, interferes with, or evades an investigation by means of violent language, assault, intentional blocking or postponing access to the site, etc. at the time of conducting an investigation prescribed in Article 29-3 (2);
8. A person who refuses, interferes with, or evades an investigation by means of concealing, disposing of, refusing access to, forging, or fabricating materials at the time of conducting an investigation prescribed in Article 29-3 (2);
9. A person who fails to comply with measures for correction prescribed in Article 31.

(2) Any of the following persons shall be punished by imprisonment with labor for not more than two years or by a fine not exceeding 50 million won: <Newly Inserted on Jan. 15, 2019>

1. A person who concludes a vertical integration contract with a person who violates Article 5-3;
  2. A person who manufactures or uses a sign indicating the fact that he/she has concluded a contract farmer indemnity insurance contract, etc. or a sign similar thereto, in violation of Article 7-3 (3);
  3. A person who concludes a contract, in violation of Article 9-5 (2).
- (3) A person who provides or divulges the information or materials he/she acquires to other persons or institutions or uses such information or materials for other than the purposes of his/her duties, in violation of Article 34, shall be punished by imprisonment with labor for not more than two years or by a fine not exceeding 20 million won. <Newly Inserted on Jan. 15, 2019>

### Article 36 (Joint Penalty Provisions)

Where the representative of a corporation, or an agent, employee or other workers of a corporation or individual commits an offense that falls under Article 35 in connection with the affairs of the corporation or individual, not only shall the offender be punished, but the corporation or individual also shall be punished by a fine prescribed in the relevant provision: Provided, That the same shall not apply where the corporation or individual has not been negligent in giving due attention and supervision concerning the relevant affairs, to prevent the offense.

### **Article 37 (Administrative Fines)**

(1) A vertical integrator who commits any of the following offenses shall be subject to an administrative fine not exceeding 50 million won:

1. A person who fails to file a report for change, in violation of Article 5-4 (1);
2. A person who refuses, evades, or interferes with the request of the Minister of Agriculture, Food and Rural Affairs and Mayor/Do Governor to submit data or put data into the computer, or submits or puts in false data, in violation of Article 5-9 (3);
3. A person who violates Article 9 (1);
4. A person who fails to register a disclosure document or registers a false disclosure document, in violation of Article 9-2 (1);
5. A person who fails to file a registration for change by the deadline or files a false registration for change, in violation of the main clause of Article 9-2 (3);
6. A person who fails to submit information falling under any subparagraph of Article 9-6 (2) in writing, in violation of Article 9-6 (2);
7. A person who fails to keep materials serving as bases or fails to comply with a request for materials, in violation of Article 9-6 (3);
8. A person who fails to keep a written statement of calculation of estimated number of breeding animals, in violation of Article 9-6 (4);
9. A person who refuses, interferes with, or evades an investigation or the submission of materials, or submits false materials, in violation of Article 10 (3);
10. A person who changes the terms and conditions of contract, etc. unilaterally without determining them in consultation with the council of farmers in advance, in violation of Article 14 (2);
11. A person who refuses or evades a request of the council of farmers for consultation without good cause, in violation of Article 14 (3);
12. A person who interferes with the organization and activities of the council of farmers, or inflicts disadvantages, etc. on contract farmers on the pretext that the contract farmers form the council of farmers, in violation of Article 14 (5);
13. A person who fails to appear without good cause, in violation of Article 29-3 (1) 1;
14. A person who refuses, interferes with, or evades reporting or inspection prescribed in Article 32 (1);

15. A person who refuses, interferes with, or evades the submission of documents or materials prescribed in Article 32 (1) or (2), or submits false documents or materials;
  16. A person who fails to report selling prices or reports false selling prices, in violation of Article 32-2 (1);
  17. A person who submits false materials, or refuses or evades the submission of materials, in violation of Article 32-3 (4).
- (2) A vertical integrator who commits any of the following offenses shall be subject to an administrative fine not exceeding 30 million won:
1. A person who fails to prepare a contract or fails to render a contract to the contract farmer, in violation of Article 7 (1);
  2. A person who fails to include matters to be included in the contract, in violation of Article 7 (2);
  3. A person who requires preparations for the performance of contract, such as preparation for raising livestock, facilities, etc. before concluding a contract, in violation of Article 7 (3);
  4. A person who fails to indicate the major matters different from those in the standard contract in a manner easily noticeable by the contract farmer, in violation of Article 7 (5);
  5. A person who fails to file a report for the change of a disclosure document or files a false report, in violation of the proviso of Article 9-2 (3).
- (3) A contract farmer who commits any of the following offenses shall be subject to an administrative fine not exceeding 10 million won:
1. A person who violates Article 9 (4);
  2. A person who fails to appear without good cause, in violation of Article 29-3 (1) 1;
  3. A person who refuses, interferes with, or evades reporting or inspection prescribed in Article 32 (1);
  4. A person who refuses, interferes with, or evades the submission of documents or materials prescribed in Article 32 (1) or (2) or submits false documents or materials.
- (4) Where an executive officer, worker, or other interested person of a vertical integrator commits an offense falling under any subparagraph of paragraphs (1) and (2), the offender shall be also subject to an administrative fine not exceeding 10 million won.
- (5) Mayors/Do Governors shall impose and collect administrative fines prescribed in paragraphs (1) through (4), as prescribed by Presidential Decree.

ADDENDA <Act No. 11357, Feb. 22, 2012>

**Article 1 (Enforcement Date)**

This Act shall enter into force one year after the date of its promulgation.

**Article 2 (Applicability to Mediation to Settle Disputes, etc.)**

An application for mediation to settle a dispute under Article 25 shall begin to apply from the first contract a vertical integrator and a contract farmer execute after this Act enters into force.

### **Article 3 (Transitional Measures concerning Vertical Integrators in Livestock Industry)**

A person designated as a vertical integrator in the livestock industry pursuant to the Scope of and Methods of Designation of Vertical Integrators in the Livestock Industry announced by the Minister of Agriculture, Food and Rural Affairs before this Act enters into force shall be deemed a vertical integrator in the livestock industry under this Act.

ADDENDA <Act No. 11690, Mar. 23, 2013>

#### **Article 1 (Enforcement Date)**

- (1) This Act shall enter into force on the date of its promulgation.
- (2) Omitted.

**Articles 2 through 7 Omitted.**

ADDENDA <Act No. 12435, Mar. 18, 2014>

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation.

#### **Article 2 (Transitional Measures concerning Incompetents, etc.)**

A person in whose case the validity of the declaration of incompetent or quasi-incompetent is maintained pursuant to Article 2 of Addenda of the Civil Act partly amended by Act No. 10429 shall be deemed included in an adult placed under legal guardianship or a quasi-incompetent placed under the protection of a legal guardian under the amended provisions of subparagraph 1 of Article 21.

ADDENDUM <Act No. 12814, Oct. 15, 2014>

This Act shall enter into force on the date of its promulgation: Provided, That the amended provision of Article 35, shall enter into force three months after the date of its promulgation.

ADDENDUM <Act No. 13144, Feb. 3, 2015>

This Act shall enter into force on the date of its promulgation.

ADDENDUM <Act No. 14988, Oct. 31, 2017>

This Act shall enter into force on the date of its promulgation.

ADDENDA <Act No. 16234, Jan. 15, 2019>

**Article 1 (Enforcement Date)**

This Act shall enter into force one year after the date of its promulgation: Provided, That the amended provisions of Articles 9-2 through 9-6, 10, 35 (1) 5 and (2) 3, and 37 (1) 4 through 9 and (2) 5 shall enter into force one and a half years after the date of its promulgation.

**Article 2 (Transitional Measures concerning Registration of Vertical Integration)**

A person engaging in vertical integration as at the time this Act enters into force shall file a registration pursuant to the amended provisions of Article 5-3 within six months after this Act enters into force.

**Article 3 (Transitional Measures concerning Penalty Provisions and Administrative Fines)**

The application of penalty provisions and administrative fines to any offense committed before this Act enters into force shall be governed by the former provisions.

**Article 4 (Transitional Measures following Change of Term of Office of Members of Mediation Committee)**

Notwithstanding the amended provisions of Article 19 (3), the term of office of the Mediation Committee members appointed or commissioned before this Act enters into force shall be governed by the former provisions.

**Article 5 (Transitional Measures concerning Validity of Certificates)**

A certificate issued pursuant to the former Article 30 as at the time this Act enters into force shall take effect for six months from the date this Act enters into force.

ADDENDA <Act No. 17091, Mar. 24, 2020>

**Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 5 Omitted.**

ADDENDUM <Act No. 17277, May 19, 2020>

This Act shall enter into force on the date of promulgation.

ADDENDA <Act No. 17354, Jun. 9, 2020>

**Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 8 Omitted.**

Last updated : 2022-02-11

