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Mask Supplies to be Changed from State-led to Market-based System

Ending the public supply of filtering respirators while expanding the public supply of surgical masks to medical institutions

- The Ministry of Food and Drug Safety (MFDS, Minister Lee Eui-kyung) has announced that a **new emergency supply and demand control measure** is established and will take effect on July 12 to switch the current public mask supply system to the "**market-based supply and demand management system**".
 - As the "**emergency supply and demand control measure**" which has been in effect since **February 12**, expires on **July 11**,
 - the new measure has been **prepared to effectively respond to diversified demand** while reflecting the changing conditions of mask supply and demand, such as **expanded production and stabilized demand**.
- Under the **basic principles** of improving consumer welfare, preventing blind spots, securing industrial self-sufficiency, and thoroughly preparing for emergencies,
 - The MFDS will implement the new **market-based mask supply and demand management** system, **operate a public-private consultative body** for **vulnerable areas and medical institutions**, support exports and domestic sales, and conduct **regular market monitoring**.

< Implementation Directions for Mask Emergency Supply and Demand Control Measures >

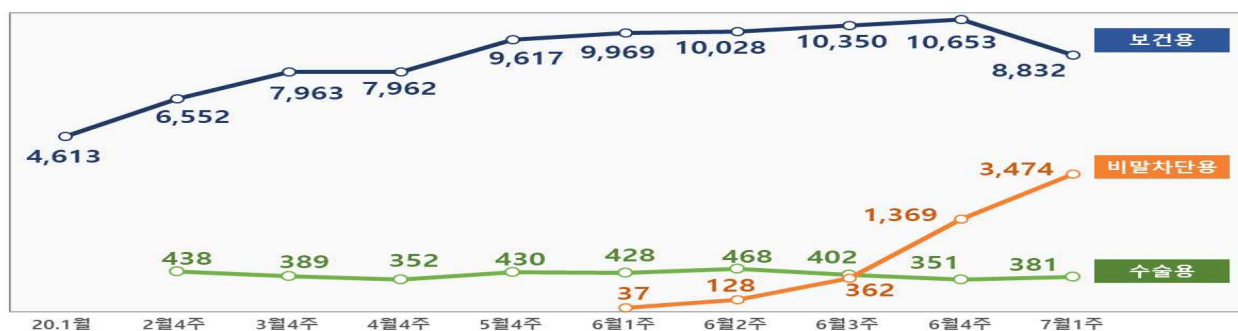
- ❶ Switching the system from “public supply” to “market supply”
⇒ Achieving reasonable prices through market functions and meeting diversified demand
- ❷ Ensuring the stable supply of filtering respirators to vulnerable areas and medical institutions
⇒ Improving purchase accessibility in islands and mountainous areas and operating a public-private consultative body
- ❸ Expanding the public supply of surgical masks (60%→80%)
- ❹ Limiting the export approval volume of filtering respirators to “30% of daily productions” → “Monthly total productions”
- ❺ Strengthening market monitoring such as prices and out-of-stock rates and strictly cracking down on unfair trade

❶ Supply and demand status

< Production >

- Thanks to **production boosting measures** such as expedited **licensing** and **production incentives**, **production capacity** such as the number of manufacturers, equipment, and licensed items, has been **increased**, producing more than 100 million masks per week.

< Trends of mask production (unit: 10,000 masks) >



* Total production (unit: 10,000 masks): (1st week of June) 10,434 → (3rd week) 11,114 → (1st week of July) 12,687

< Status of mask manufacturers and licensed items in Korea >



< Demand >

- Demand is stabilizing as supply expands. Despite the increase in the number of purchase for twice, supply and demand remain stable.

< Trends of public mask purchases and number of buyers (unit: 10,000 masks/10,000 persons) >



< Prices >

- The average online and offline prices were 4,221 won and 2,751 won respectively, in the fourth week of February but gradually stabilized to 2,100 won and 1,694 won respectively, in the first week of July as production and supply expanded.

< Price trends of KF94 filtering respirators (unit: KRW) >



② Revised plan after July 12

① Switching the system from “public supply” to “market supply”

< Demand from general public >

- ☐ **(Filtering Respirators)** The “filtering respirators” public supply system will end on July 11 to establish a supply and demand system through the market.
 - Accordingly, **starting July 12**, anyone can **freely** purchase "filtering respirators" through **various sales channels** including pharmacies, markets, convenience stores, and online.
 - Please note that anyone can buy masks **without limitation on the number of mask purchases allowed per person at the current public mask sellers** (pharmacies, Nonghyup Hanaro Mart, post offices) from tomorrow to the end date (July 8 to July 11) to **prevent the spread of COVID-19 and improve the purchase accessibility.**
- ☐ **(Anti-droplet mask)** Instead of using the public supply system, we will strengthen the **production and supply capacity** of anti-droplet masks to improve **public accessibility and convenience of purchase.**
 - We will **encourage the increase in production and supply** of "anti-droplet masks" through **expanding administrative support** such as expedited approval and support for distribution.
 - * Anti-droplet mask production (unit: 10,000 masks): (1st week of June) 37 → (2nd week) 128 → (3rd week) 362 → (4th week) 1,369 → (1st week of July) 3,474
 - * Number of anti-droplet mask manufacturers/licensed items: (1st week of June) 4 companies/9 items → (1st week of July) 69/140

< Demand from medical institutions >

- ☐ **(Surgical mask)** For “surgical masks” used at **medical institutions**, the current **public supply system is maintained.**
 - However, to facilitate the purchase and use in the medical field, the **public supply rate will be increased from 60% to 80%.**
- ☐ **(Filtering Respirators)** While suspending the **public supply** , we will

expand administrative support including the operation of a public-private consultative body so that medical masks are supplied at reasonable prices through competition.

② Ensuring the stable supply of medical masks to vulnerable areas and medical institutions

- ☐ We will provide enhanced policy support to ensure the stable supply of "filtering respirators" to essential markets such as vulnerable areas including islands and mountainous areas and medical institutions.
- As "filtering respirators" are supplied through the market starting July 12, we will establish a "public-private consultative body" that will monitor the status of supply and demand and discuss difficulties in an effort to prevent supply blind spots in vulnerable areas such as islands and mountainous areas and medical institutions.
- From now on, post offices and Nonghyup Hanaro Mart will purchase filtering respirators from manufacturers and supply and sell them to residents in vulnerable areas, and we will provide support such as matching with manufacturers for medical institutions that have difficulties in purchasing filtering respirators.

③ Limiting the export allowance of filtering respirators to "30% of daily production" → "Monthly total production"

- ☐ To stabilize the supply and demand of masks, the current export restrictions are maintained, but the method for calculating the export allowance on "filtering respirators" is changed to "total export volume."
- Currently, filtering respirator manufacturers can export up to "30% of daily production," but the method of calculating the export volume is complicated and it was difficult to immediately respond to the demands of overseas customers.
- In order to cooperate with foreign countries in response to COVID-19 and support the export of K-quarantine products, starting July 12, the monthly export allowance for each company will be determined based on

the production scale as well as supply and demand status while Korea's total medical mask exports will be controlled **not to exceed 50%** of monthly production.

* The ban on exporting surgical and anti-droplet masks is maintained for domestic supply.

④ Enhancing market monitoring such as prices and out-of-stock rates and strengthening the crackdown on unfair trade

- ☐ The government will strengthen **monitoring of market trends** such as **prices, out-of-stock rates, and daily production** in order to **closely keep track of the supply and demand conditions** and **expand capacity** in case of **emergency** even after the public supply of filtering respirators has ended.
- ☐ If a **mask shortage** is expected, we will make efforts to **stabilize supply and demand** by **increasing production, limiting/banning exports, and mobilizing government stockpiles**. In case of emergency, the government will **promptly take intervention measures** such as **limiting the number of purchasable masks** and operating the **mask purchase rotation system**.
- ☐ In addition, **unfair trade practices** such as **cornering and hoarding** will be **strictly regulated** under the **principle of zero tolerance**.
 - ☐ To keep the **distribution process transparent**, if more than **3,000 masks** are sold to one retailer, **transaction information** including the **seller, buyer, and sales volume** should be reported while the distribution of more than 50,000 masks requires the **approval of the MFDS in advance**.
 - ☐ We will prevent **unfair trade and market disturbances** by **operating a cornering and hoarding reporting center** and **conducting joint ministerial crackdowns** and take action against violators in accordance with the **Price Stabilization Act**.
- * Violation of emergency supply and demand control measures, cornering and hoarding practices: Imprisonment for up to 2 years, a fine of up to 50 million won

- ☐ Before wearing masks, wash your hands with soap and water or sanitizers. When wearing them, check whether there is any space between your face and a mask, and make sure the mask covers a nose and a mouth. When using it, don't touch the surface of the mask.

< Attachment > Summary of policy changes on July 12

Category		Before change	After change
① Public supply	Surgical	More than 60% of production to be distributed through the public supply system, supply to medical institutions	The supply rate increased to 80%, supply to medical institutions
	Medical	Less than 50% of production to be distributed through the public supply system, supply to the general public	Excluded from public supply ·Support for stable supply to vulnerable areas and medical institutions through a public-private consultative body
	Anti-droplet	Excluded from public supply	Maintained
② Export restriction	Allowed item	Medical	Maintained
	Export volume	30% of daily production of each manufacturer	Based on total export volume ·Total monthly export volume is set to be below 50% of total monthly production in Korea ·Each manufacturer's monthly export allowance is set within total monthly export volume ·Excess exports require exceptional approval within Korea's total export volume
③ Production and distribution management		Post-reporting of production and sales volume, pre-approval of large-scale supplies, monitoring of prices and out-of-stock rates, operation of a cornering and hoarding report center, etc.	Maintained