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Korea - Republic of

Food Processing Ingredients

Bi-Annual 2012

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Report Highlights:
The United States was the largest supplier of agricultural, food, fishery and forestry products to Korea, with a 25 percent market share in 2011. About 70 percent of food products in Korea are imported. U.S. ingredients for use in food processing have a strong opportunity in Korea. Korea maintains a strong processing industry that manufactures a wide variety of processed agricultural and food products. There were over 4,000 agriculture/food processing businesses in Korea, which generated an estimate of $69.4 billion in sales in 2011, up 5.5 percent from the previous year. Korea is a major importer of raw materials and ingredients for food processing. U.S. market share should increase after implementation of the Korea-U.S. Free Trade Agreement which is expected to generate more opportunities for U.S. food processing ingredients.

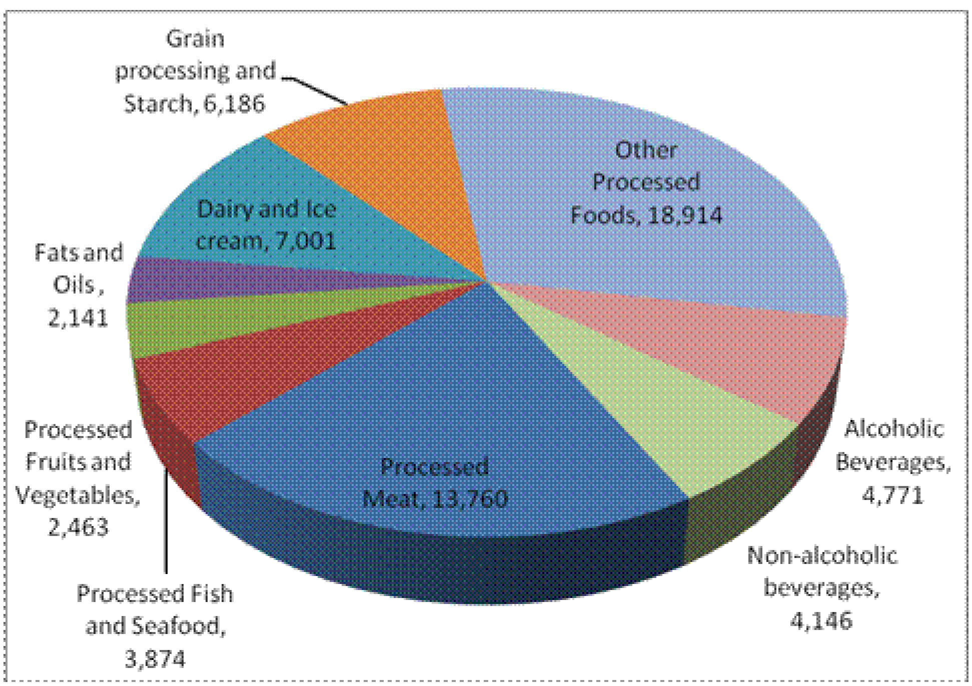
Author Defined:

SECTION I. MARKET SUMMARY

Korea maintains a strong processing industry that manufactures a wide variety of processed agricultural and food products. There were over 4,000 agriculture/food processing businesses and about 160,000 workers in Korea, which generated an estimate of $69.4 billion of cash register sales in 2011, up 5.5 percent from the previous year.

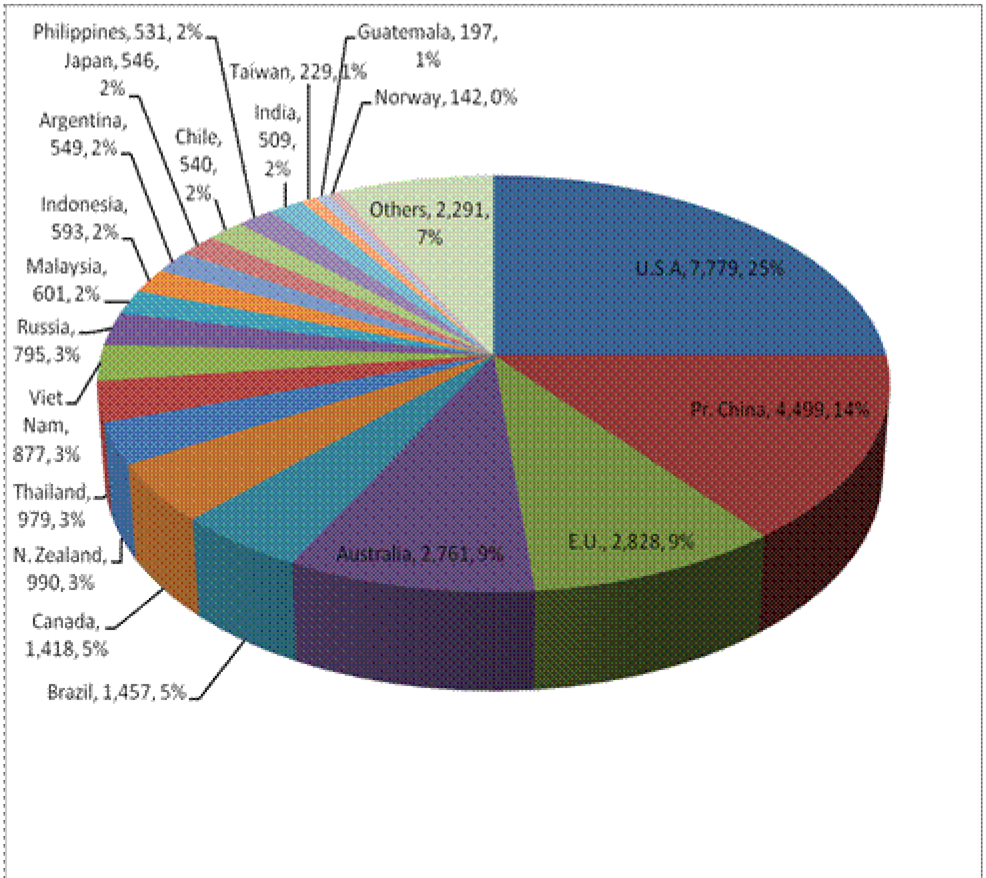
Korea imports about 70 percent of total agricultural product needs. The United States, China, European Union (EU) and Australia are the major agricultural exporters to Korea. Due to the lack of arable farmland, high production costs and growing food requirements, Korea has been a major importer of basic foodstuffs for further processing. With a territory about the size of the state of Indiana and population of 50 million, Korea is the 5th largest market for U.S. agricultural products. The total imports of agricultural, food, fishery and forestry in 2011 are estimated at almost $31.1 billion from the world. The United States is estimated to account for 25 percent of Korean agricultural and food imports with $7.8 billion imports.
The Korea-United States Free Trade Agreement (KORUS FTA), implemented in March 2012, coupled with anticipated recovery trend of the Korean economy should generate greater export opportunities for American suppliers in the coming year.

Table 1: Output of Food Processing Industry by Sector in 2011



Source: Food, Agriculture, Forestry and Fisheries Statistical Yearbook 2011

Table 2: Korean Agriculture Imports in 2011 by Country
($ Million)



Source: Korea Trade Information Service (KOTIS), ATO resourced

Korea imports a broad range of basic, intermediate and semi processed agricultural products. Corn, soybeans, wheat, essential oils, frozen concentrated orange juice, almonds, walnuts, powdered milk, whey powder, beef, pork, beef tallow, seafood, processed fruits and vegetables, coffee, potato products, vegetable oils and cocoa products exemplify the raw materials and ingredients imported into Korea for use in food processing. U.S. suppliers have a strong opportunity to export inputs for use in food processing in Korea.

The United States was the largest supplier of agricultural, food, fishery and forestry products to Korea, with a 25 percent market share in 2011, followed by China with 14.5 percent, the EU with 9.1 percent, Australia with 8.8 percent and Brazil with 4.7 percent. These five countries accounted for about 62 percent of the total Korean agricultural, food, and fishery and forestry product imports in 2011.

Table 3:   Advantages and Challenges for U.S. Food and Fishery Products

Advantages	Challenges
Implementation of KORUS FTA will make U.S. products more competitive with other foreign suppliers.	Changes in food regulations compounded by language barrier.
Health consciousness and increasing affluence of Koreans are shifting consumer focus from price to quality.	Onerous inspection/customs clearance procedures.
U.S. food is perceived as equal or superior quality relative to competitors.	Food safety concerns. Non-acceptance of biotechnology. BSE issue is still lingering.
Local supply of agricultural products is limited.	Imports of many American products are currently subject to restrictive trade barriers, including high import tariffs, tariff rate quota compare to competitors

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

It may not be possible to market the exact same product in Korea as in the United States. Korean consumers may have different demands and Korea has different tolerances for some additives and preservatives. When considering the Korean market, exporters should conduct preliminary research to determine if the market is appropriate for their product.
A good place to start is by reviewing the Attaché reports for Korea on the FAS website (www.fas.usda.gov). Some of these reports are also available on the U.S. Agricultural Trade Office website (www.atoseou.com). In particular, the "Country Commercial Guide" includes a wide variety of useful information. Register for access to the Country Commercial Guide at: http://www.buyusa.gov/korea/en/ Lists of Korean importers, by product, can also be obtained from the U.S. Agricultural Trade Office. In addition, information from Korean importers, U.S. state departments of agriculture and the U.S. Department of Commerce (for non-agricultural products) could be helpful.

The next step might include sending catalogues, brochures, product samples, and price lists to prospective importers as a way of introducing the company and products. Once contact with an importer is established, it is advisable to visit the importer(s) in person, which will increase the seller's credibility with the Korean importer and give an opportunity to see the Korean market first hand. There is no substitute for face-to-face meetings. The supplier or exporter should bring samples as well as product and company brochures including price lists, shipping dates, available quantities, and any other information needed for negotiating a contract. While information in English is acceptable, having it in Korean is helpful. A general overview of your firm in Korean is a good place to start.

Many Korean importers attending these shows are looking to establish reliable long-term trading relationships. Another way of finding potential importers is to participate in a local food show to showcase your products to a larger audience. Show participation enhances initial contacts with importers, agents, wholesalers, distributors, retailers and others in the food and beverage industry.

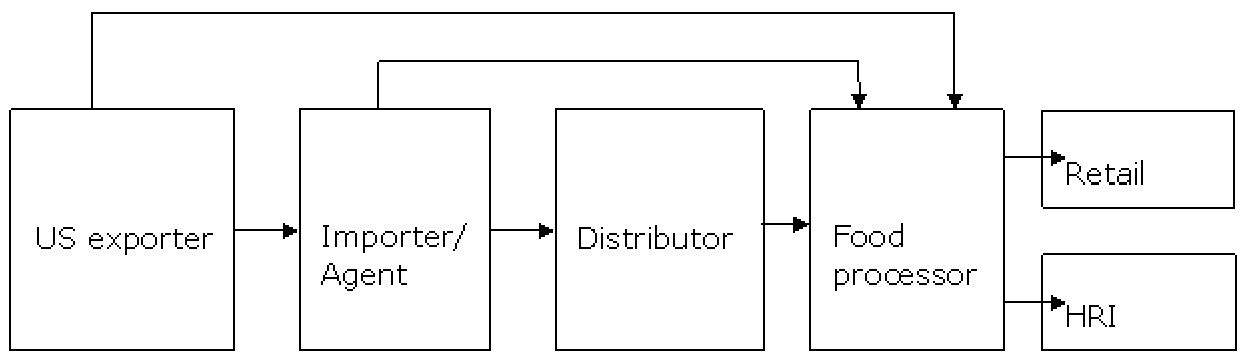
Currently, there are two trade shows supported by ATO Seoul in Korea. The Food & Hotel Korea 2013 (www.oakoverseas.com) will be held in Ilsan in the suburbs of Seoul, May 14-17, 2013. The show presents an excellent chance to explore possible market opportunities in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc. It is the only "trade only" show in Korea. All other shows cater mostly to consumers. Another show is the "Busan International Seafood and Fishery Expo 2013" (www.bisfe.com / www.atoseoul.com) which will be held in Busan, the second largest city in Korea, in the middle of November 2013.

American companies should be sensitive to the uniqueness of the Korean market. An approach or a product that was successful in another market does not necessarily ensure the same tactic will be applicable to Korea. It will be necessary to renew the product design, packaging and market approach for the Korean situation, requirements and tastes. A well-developed relationship with a Korean importer is an asset when determining how best to market a product.

B. MARKET STRUCTURE

The chart below gives an overview of the usual distribution channel for imported food ingredients from U.S. exporters to Korean food processors.

Table 4: Market Structure



Large food processing companies often prefer to purchase from local importers, agents or distributors when the quantities they require are small. These large companies generally tend to buy food ingredients directly from overseas suppliers when their supply quantities become large.

C. FOOD PROCESSEING SECTOR TRENDS

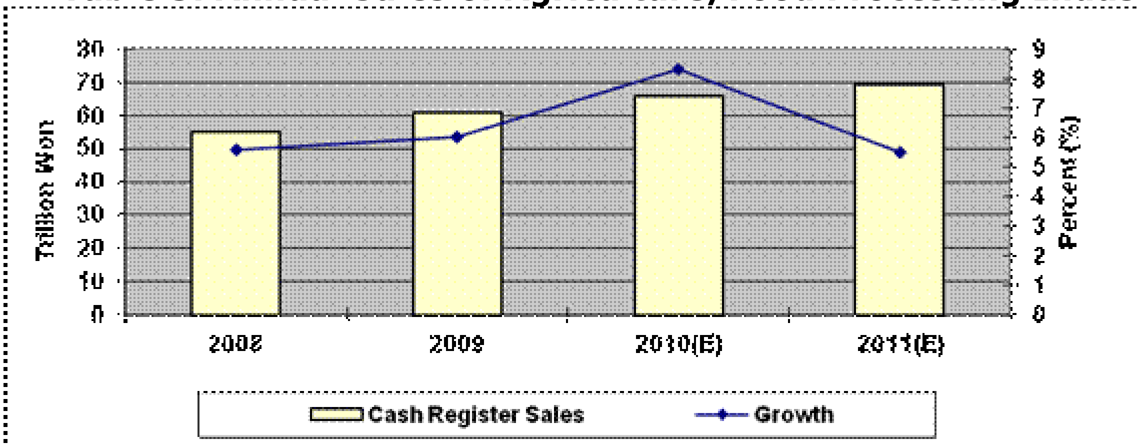
Some Korean food processors like Nong Shim, CJ, Lotte Confectionery, Sam Yang Corp. and other food companies have investments in China, USA, Russia, Vietnam and Chile, etc. Some of these companies sell their final products in the foreign countries and also export them to other countries as well as to Korea. Some U.S. companies like Baskin Robbins Korea, Cargill Agri Purina, Coca Cola, and Kellogg have invested in Korea to produce food, feed, ice cream and soda products in Korea as sole investors and/or joint ventures.

Imports are necessary to support the processing industry due to limited local supply in terms of quantity and variety. The area of cultivated land was 1,715,301 hectares in 2010, accounting for about 17 percent of the total land of Korea. The Korean food and beverage manufacturing and processing industry are major users of imported raw materials, intermediate products, ingredients and additives.

Increased buying power, international travel and cosmopolitan living, all lend to growing demand for a diversity of locally produced food items. Korea has a diverse food-processing sector. Concurrently, Korean consumers exhibit a tendency for goods produced in Korea, while still seeking an expanding variety of products.

There were over 4,000 agriculture/food processing businesses in Korea, which generated an estimate of $69.4 billion of cash register sales in 2011, up 5.5 percent from the previous year.
Korea maintains a strong processing industry that manufactures a wide variety of processed agricultural and food products.

Table 5: Annual Sales of Agriculture/Food Processing Industry in Korea



Source: Food Distribution Yearbook 2012, Monthly Food Journal, Korea National Statics Office

Table 6: Output of Korean Agriculture/Food Processing Industry
(by Product Segment)

Product Segment	2009	2010 (Estimate)	2011 (Estimate)
Processed Meat	8,956	12,821	13,760
Processed Fish and Seafood	3,482	3,610	3,874
Processed Fruits and Vegetables	1,968	2,275	2,463
Fats and Oils	2,209	2,194	2,141
Dairy and Ice cream	6,629	6,913	7,001
Grain processing and Starch	5,129	5,491	6,186
Other Processed Foods	16,333	17,063	18,914
Alcoholic Beverages	4,524	4,669	4,771
Non-alcoholic beverages	3,368	3,767	4,146

Source: Food Distribution Yearbook 2012, Monthly Food Journal, Korea National Statics Office
Unit: Billion Won

Table 7: List of Major Agriculture/Food Processing Companies in Korea (2010)

Rank	Name of Company	Annual Sales	Key Products
1	CJ Cheiljedang	3,963 Billion Won	Flour, Noodles, Sugar, Sauces, Flavors, Fat & Oils, Ready-to-serve food, Snacks, Beverages
2	Nongshim	1,895 Billion Won	Instant noodles, Snacks, Beverages
3	Samyang	1,665 Billion Won	Flour, Noodles, Sugar, Sauces

	Corporation		
4	Dongsuh Food	1,422 Billion Won	Coffee, Tea, Beverages
5	Lotte Confectionary	1,416 Billion Won	Snacks, Chocolates
6	Ottoogi	1,373 Billion Won	Sauces, Oils, Instant noodles, Ready-to-serve food
7	Paris Croissant	1,313 Billion Won	Bakery products
8	Lotte Chilsung	1,302 Billion Won	Beverages
9	Daesang	1,202 Billion Won	Noodles, Sauces, Flavors, Fat & Oils, Ready-to-serve food, Beverages
10	TS Corporation	1,167 Billion Won	Flour, Noodles, Sugar

Source: Food Distribution Yearbook 2012, Monthly Food Journal

No sugar cane or sugar beets are produced in Korea. Accordingly, all raw sugar is imported. There are currently three sugar-refining companies in Korea with a total annual production of about 1.413 million metric tons in 2011, 888,000 metric tons (63 percent) is consumed domestically and 360,000 metric tons (25 percent) is exported to other countries. Sugar is widely used in food sectors, including confectionery, jam and jelly, powered milk, bakery, cake, beverages and fruit based alcohol. Per capita consumption of sugar in Korea is about 20 Kg. The total demand for sugar in Korea is not changing much.

Many of the Korean conglomerate business groups have agriculture/food processing business arms, and more of the Korean processors are trying to expand their sales to foreign markets. Korean government has also been providing the industry with a financial and promotional support under "globalization of Korean cuisine" campaign. However, the local processing industry relies heavily on imported products for raw materials, intermediate ingredients, and additives because of limited local resources. As a result, Korea is an outstanding buyer for almost all types of agricultural products for processing use from basic commodities such as corn, soybeans, wheat to intermediate ingredients such as hides, oils, whey powder, and fruit juice concentrate to food additives such as flavors, coloring agents, and preservatives.

Table 8: Korea's Self-sufficiency Rate for Major Grain (2009)

	Rice	Wheat	Barley	Soy Bean	Corn
A	98.0%	0.5%	41.3%	8.4%	1.0%
B	98.0%	0.9%	44.3%	32.5%	4.0%

A: self-sufficiency Ratio including feed
B: self-sufficiency Ratio for food only
Source: Korea Agriculture Yearbook 2010/2011, Korea Agriculture Fishery Livestock Newspaper

It is notable that the local processing industry is led by a small number of large-scale players, as indicated by the fact that only 1 percent of the 4,169 processors had over 300 employees.

Table 9: Employment Size of Agriculture/Food Processors in Korea (2010)

Number of Employees	Number of Processors
Less than 50	3,373
50 – Less than 300	750
Over 300	42
Total	4,169

Source: Report on Mining and Manufacturing Survey, Korea National Statistics Information Service

Consumption of fish, fruits, vegetables, marine plants and edible oil increased. Consumer preferences also shifted toward foods that were convenient to cook rather than those that require lengthy preparation. Local eating habits have changed dramatically in recent years. A diet that had long been based on rice became progressively more centered on wheat and animal protein.

At the same time, consumers sought more diversity and became more quality oriented Consumers became more health and safety conscious in their food buying habits as ingredients, packaging, shelf life, safety and environmental concerns became important determinants of purchasing behavior. At the same time, demand for greater quality in terms of flavor and nutrition increased, a sharp departure from a diet that previously emphasized caloric content.

These shifts toward quality, variety, convenience, safety and health resulted not only increased consumption of processed food, but also stimulated the growth of the domestic food processing industry. Spending habits also became diversified as individual preferences and a wider variety of foods became available to meet consumer demand.

Koreans perceive organic, low-chemical or other "natural" products as healthy products in line with the recent trend in Korea focusing on the so-called "well-being" lifestyle. As a result, the market for organic and "natural" foods is a segment that has been developing rapidly. Korean consumers also like natural, fresh food products, such as health foods, functional foods and diet foods. Koreans have always looked to their food to provide a functional or health benefit and foods made without the use of pesticides or insecticides appeal to Korean consumers.

Table 10: Processed Organic Products Market Prospect (Unit: $Million)

	2008	2011	2012	2015	2020	2025
Total	215.8	377.7	435.5	578.1	681.7	712.9
Local Production	184.3	321.9	371.2	493.7	586.7	616.7
(Only Local Ingredient)	29.6	48.0	54.9	79.0	120.3	143.9
(Only Imported Ingredient)	154.7	273.9	316.2	414.7	466.3	472.7
Finished Products Imports	31.5	55.8	64.4	84.4	95.0	96.3

Source: Food Distribution Year Book 2012, Korea Rural Economy Institute(KREI)2011

For home consumption, busy consumers can purchase ready-made local-style food items such as Kimchi or bulgogi (thin-sliced marinated beef) at local grocery or convenience stores. Traditionally, Korean dishes require a lot of preparation time. Small restaurants specializing in only a few dishes are still common. Home preparation, however, is becoming increasingly rare.

They tend to get their information through the media and trust it in spite of the often misleading information. It is also important to note that Korean consumers are very sensitive to food safety issues. Once a "food scare" rumor gets publicity, that food is affected and its reputation is quickly damaged.

Korea processed about 1.82 million tons of fish and seafood in 2010. Imported seafood products are utilized for both domestic consumption and re-export. Seafood is imported into Korea from about 100 different countries. Major suppliers of fishery products to Korea include China, Russia, Vietnam, Japan, U.S., Thailand, Taiwan and Chile in 2010, these eight supplying countries accounted for about 75 percent of total Korean seafood imports on a value basis. China continued to be the largest seafood supplier to Korea, followed by Russia and Vietnam.

Chile has emerged as one of the major competitors. Thanks to the implementation of the Korean/Chilean Free Trade Agreement (FTA) in 2004, agricultural imports from Chile surged from $102 million in 2003 to $540 million in 201109. Korea only imported $102 million from Chile in 2003 before the FTA with Chile. Importers are paying more attention to Chilean products because of no customs duties or lower duties compared to other countries. The effects of the FTA will be realized more over the long term when the Customs duties decline further or become zero.

Table 11: Korean Production of Processed Seafood Products by Group (M/T)

Product	2005	2006	2007	2008	2009	2010
Dried/Salted/Cooked	58,343	69,259	37,094	68,048	80,556	63,161
Preserved/Pickled	43,534	42,998	30,991	54,519	54,082	43,248
Canned	138,585	149,487	119,584	73,578	61,287	54,168
Frozen	1,023,801	1,033,060	1,065,522	1,139,905	1,259,438	1,289,583
Dried Seaweed	153,597	135,668	13,659	157,281	156,803	164,104
Agar-Agar	443	329	4,642	8,985	334	206
Ground Fish Meat	88,290	69,350	171	206	142,591	114,823
Flavor Seasoned	19,759	19,500	72,913	107,465	33,714	34,654
Fish Meal and Oil	11,739	7,618	13,421	96,701	10,037	13,287
Others	21,830	19,515	26,003	66,491	99,293	38,052
Total	1,559,201	1,546,784	1,384,000	1,773,179	1,898135	1,815,286

Source: Food, Agriculture, Forestry and Fisheries Statistical Yearbook 2011

Table 12: Food Grain Self-sufficiency Ratio and Per Capita Consumption in 2009 in Korea

	Rice	Barley	Wheat	Corn	Soy Beans
A*	98%	41.1%	0.5%	1.0%	8.4%
B*	98%	44.3%	0.9%	4.0%	32.5%
PerCapita Consumption (Kg)	74Kg	44.3	33.4	5.0	8.0

A* represents self-sufficiency Ratio including feed

B* represents self-sufficiency Ratio for food only

Source: Food, Agriculture, Forestry and Fisheries Statistical Yearbook 2010/2011

Table 13: Korean Seafood Demand and Supply

Year	Local Consumption 1,000 Metric tons	Local Production 1,000 Metric Tons	Self-sufficiency Rate (%)

2004	3,922	2,519	64.2
2005	4,169	2,714	65.1
2006	4,568	3,032	66.4
2007	4,621	3,271	70.8
2008	4,280	3,360	78.5
2009	4,071	3,182	78.1
2010	3,639	3,126	86.0

Source: Korean Fisheries Yearbook 2011 by Korea Fisheries Association

Table 14: Korean Seafood Consumption/Local Production/Import/Export

Year	Local Consumption (1,000 MT)	Production (1,000MT)	Import (1,000MT)	Export (1,000MT)	Inventory (1,000MT)	Per Capita Consumption (Kg)
2003	3,578	2,487	2,268	1,202	25	44.9
2004	3,922	2,519	2,477	1,116	42	49
2005	4,169	2,714	2,557	1,121	19	49.5
2006	4,568	3,032	2,646	1,047	63	56.5
2007	4,621	3,271	2,604	1,211	207	56.5
2008	4,280	3,360	2,135	1,266	51	54.9
2009	4,071	3,182	2,186	1,336	39	-

Source: MIFAFF Major Statistics Booklet 2010/2011

Table 15: Korean Per Capita Supply of Seafood Products (Kilogram)

	2003	2004	2005	2006	2007	2008	2009
Fish and Shell fish	38.5	41.1	39.9	42.1	42.1	39.1	35.4
Seaweed	6.4	7.8	9.6	13.0	14.4	15.8	14.4
Total (kg/year)	44.9	48.9	49.5	56.6	56.5	54.9	49.8

Source: Korea Rural Economic Institute Homepage 2010

Table 16: Total Seafood Imports by year ($Million)

Year	From World	From USA
2006	2,362	137
2007	2,629	129
2008	2,531	127
2009	2,335	111
2010	2,775	111
2011	3,414	139

Source: KOTIS, compiled by ATO Seoul

Table 17: Major Fish Imported to Korea from USA in 2011 ($1,000)

Fish Species	HS Code Number	From USA	From World	U.S. Market Share
Pollack surimi, frozen	0304.99.1010	34,403	156,435	22.0%
Other, Flatfish, frozen	0303.39.0000	19,187	65,464	29.3%
Monkfish, fresh and frozen	0303.79.9091	13,777	99,673	13.8%
Cod, frozen	0303.52.0000	9,228	60,033	15.4%
Other Roes, frozen	0303.80.2090	8,574	28,686	29.9%
Roes of Alaska Pollack, frozen	0303.80.2010	8,559	83,792	10.2%
Skate, frozen	0303.79.9093	7,843	37,609	20.9%
Salad eel, live	0301.99.7000	6,501	13,123	**49.5%**
Atka mackerel, frozen	0303.79.9060	5,370	37,039	14.5%
Hagfish, frozen	0303.79.9092	4,677	10,209	45.8%
Ray, frozen	0303.79.9096	3,297	21,849	15.1%
Fillet, Alaska Pollack, frozen	0304.29.1000	2,380	44,505	5.3%
Rock fish, frozen	0303.79.9070	2,214	15,566	14.2%
Adductors of shell fish	0307.99.1140	1,299	8,238	15.8%
Squid, frozen	0307.49.1020	1,175	70,063	1.7%
Sable fish, frozen	0303.79.2000	1,156	1,171	**98.7%**
Fillet, Others, frozen	0304.29.9000	897	35,609	2.5%
Fillet, Plaice, frozen	0304.29.4000	864	1,445	**59.8%**
Plaice, frozen	0303.32.0000	840	1,304	**64.4%**
Lobsters, other than frozen	0306.22.0000	771	17,174	4.5%
Other Crab, frozen	0306.14.9000	516	59,705	0.9%
Sardines, frozen	0303.71.0000	445	9,304	4.8%
Blue crab, frozen	0306.14.3000	408	36,436	1.1%
Frozen Fish Surimi	0304.99.9010	404	156,435	0.3%
Hake, frozen	0303.78.0000	347	803	43.2%
Scallops, frozen	0307.29.1000	339	14,479	2.3%
Anchovy, dried	0305.59.2000	294	4,068	7.2%
Shrimps, live, fresh or chilled	0306.23.1000	285	4,695	6.1%
Glass eel, live	0301.92.1000	234	81,643	0.3%
Fillet of cod, frozen	0304.29.3000	221	962	23.0%
King crabs, frozen	0306.14.2000	192	8,825	2.2%
Alaska Pollack, frozen	0303.79.1000	189	249,211	0.1%
Other Crabs, live, fresh or chilled	0306.24.1090	188	43,437	0.4%
Sockeye salmon, frozen	0303.11.0000	175	311	**56.3%**
Total		137,249	1,479,301	9.3%

Source: www.kita.net Korea's Trade Statistics Database for 2011

Table 18: Korean Imports of Fillet/Surimi by HS Code (MT)

Species	H.S. Code	2010		2011	
		World	U.S.A	World	U.S.A.
Fillet of Alaska Pollack/frozen	0304.29.1000	19,766	1,049	16,289	790

Fillet of Cod/frozen	0304.29.3000	266	-	198	29
Fillet of Plaice/frozen	0304.29.4000	662	469	483	343
Fillet of Other Fish/frozen	0304.29.9000	6,279	245	6,799	183
Surimi of Alaska Pollack/frozen	0304.99.1010	12,110	11,317	12,379	11,781
Other type of fish meat of Alaska Pollack/frozen	0304.99.1090	528	23	236	25
Surimi of other fish/frozen	0304.99.9010	102,797	403	100,045	146
Other type of fish meat of other fish/fresh or chilled, frozen	Various	6,762	7	7,655	-
Total		149,170	13,513	144,084	13,297

Source: www.kita.net Korea's Trade Statistics Database for 2011

SECTION III. COMPETITION

The United States is the largest supplier of agricultural products to Korea with a 25 percent market share in 2011. However, the U.S. competes with many other countries for market share in Korea. All of the following items compete with U.S. products: beef with Australia, pork with E.U., Chile and Canada, poultry with Brazil, fish with China and Russia, dairy products with E.U., New Zealand and Australia, prepared fruits and vegetables with China, sugar confectionery with Vietnam, China and E.U., wines with E.U. and Chile, oilseeds with Brazil, animal feeds with China and E.U., sauces and condiments with China and Japan, coffee, tea and spices with Vietnam, Columbia and Brazil, animal and vegetables oils and fats with Argentina, Malaysia and E.U., prepared seafood with China and Vietnam, and chocolate with E.U.

A. Tariffs and KORUS FTA

Korea utilizes a 10 digit Harmonized Tariff Code System (HSK), and the local authority maintains an exclusive right to classify an imported product to a specific tariff code. Tariffs charged on imported agricultural and food products vary considerably from product to product. In general, tariff rates are higher for products that are produced domestically (for such products, there might be additional safe guard measures such as Tariff Rate Quotas). Ingredient products and bulk commodity products needed for local industries generally have lower tariffs. Identifying a HSK code particularly for processed products could be a challenge. The Korean Customs Service offers a service through which traders can submit a sample and receive a preliminary ruling on the HSK code classification. Suppliers may contact the USDA/FAS offices in Korea for help in identifying HSK codes and additional measures related to import.

The Korea-United States Free Trade Agreement (KORUS FTA), implemented on March 15, 2012 will significant reduce tariffs on many American products imported into Korea. ATO Seoul homepage has a special section (http://www.atoseoul.com/fta/fta_page2_final.asp) that offers detailed information and links related to the KORUS FTA, including:

(1) Full Text of the Agreement: http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta/final-text

(2) "Korea Tariff Schedule": http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file786_12756.pdf

You will find the base tariff rate and the phase out category for all agricultural and food products, organized by HSK code. Phase-out categories include:

A	Immediate tariff elimination	E	6 year
B	2 year phase-out	F	7 year
C	3 year	G	10 year
D	5 year	H	15 year

(3) Country of Origin Certification: http://www.atoseoul.com/fta/KORUS%20FTA%20COO%20FAQ_clean%20(2).pdf

(4) Tariff-rate Quotas: http://www.atoseoul.com/fta/step4.asp

(5) FTA Briefs on Top 40 Products: http://www.atoseoul.com/fta/fta%20product%20briefs.asp

SECTION IV. BEST PROSPECTS

Korea imports a wide variety of agricultural, food, fishery products and ingredients for domestic consumption, and also re-exports some final product to other countries after importing raw and/or semi-finished ingredients and manufacturing them in Korea. The following are products which have presence in Korea and have good increased sales potential to the processing sector

Table 19: Best High-value, Consumer-oriented Product Prospects

Product Category	HS Code	2011 Imports ($ Mil) from Total USA	3 Yr. Avg. Annual Import Growth Total USA	Import Tariff Rates /1	Key Constraints over Market Development	Market Attractiveness for U.S. Suppliers
Beef	0201-0202	1,522 559	30% 40%	37.3 - 40%	BSE image, Competition, High tariffs	Stable supply, Good quality, Competitive price
Pork	0203	1,438 461	38% 50%	0% TRQ - 25%	Competition, High tariffs	Stable supply, Good quality, Competitive price
Poultry	0207	223 130	35% 71%	15.4 - 24.3%	Competition, Fresh meat	Strong demand in food service sector
Fish, Frozen	0303	1,490 86	16% 10%	0% - 63%	Competition, Local taste	Reduced local supply
Cheese & Curd	0406	358 140	30% 91%	0% TRQ - 36%	High tariffs, EU competitors	Stable supply, Good quality, Competitive price
Nuts	0802	181 171	25% 25%	0% -42%	High price, Limited supply	Health image, Good quality
Citrus	0805	192 181	36% 39%	0% - 50%	High tariffs, Sanitation	Stable supply, Good quality

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Grapes	0806	125 24	32% 35%	0% - 42.4%	Chile, Seasonal market	Good quality
Cherries, Fresh	0809.20	48 45	29% 31%	0%	Short shelf life	Good quality
Coffee	0901	619 27	41% 7%	0% - 6.4%	Competition	Strong growth of café industry
Soybean Oil	1507	383 32	18% 4%	4.3% - 4.9%	Competition, Local processors	Stable supply
Margarine, Shortening	1517	76 31	18% 22%	0% - 6.4%	Competition, Local processors	Stable supply
Sausages & Similar Products	1601	26 22	10% 10%	14.4% - 20%	EU competitors, Local processors	Good quality, Competitive price
Sugar Confectionery	1704	87 12	13% 13%	6.4% - 7.2%	EU competitors, Local processors	Good brand recognition
Chocolate & Food Preparation	1806	252 29	25% 28%	6.4% - 36.7%	EU competitors, Local processors	Good brand recognition
Bread, Pastry, Cakes, etc.	1905	194 46	23% 1%	6.4% - 7.2%	EU competitors, Local processors	Good brand recognition
Processed Vegetables & Fruits & Juices	2001-2009	781 190	15% 9%	0% - 27%	High tariffs, Competition	Good quality
Sauces & Preparations	2103	184 22	9% 6%	0% - 36%	Competition, Additive issue	Good quality
Food Preparations	2106	786 356	25% 28%	0% - 6.4%	Competition	Good brand recognition
Flavored Mineral Water	2202	44 19	21% 5%	0% - 8.1%	High shipping cost	Good brand recognition
Beer	2203	58 6	19% -4%	25.7%	Competition	Good quality Good diversity
Wine	2204	132 12	6% 3%	0%	Competition High prices	Good quality
Spirits, Liqueurs	2208	260 7	5% 2%	0% - 24%	EU competitors	Unique products

/1 For specific tariff rates for individual products in the category, please contact ATO Seoul.

Table 20: Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product Category	2011 Imports ($ Mil)	4 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Honey	5	25%	20 % – 243%	TRQ for honey is small. Very high tariff rates are applied to honey outside of the quota.	Strong demand for quality natural honey

Processed Organic Products	50.7	14% (4 year average)	Variable (such as 3% - 45% or more)	Korean government was going to enforce new organic certification rule from January 2013 (and the rule was going to require all imported 'processed' organic products to be certified by the Korean authority to be sold in Korea as "organic"). However, Korean government postponed the implementation of the new rule by another one year until December 2013 as it did for the last three years. Importers are likely to be nervous for a year.	Growing demand for organic and environmentally friendly products
Organic Agricultural Produce	13.8	12% (4 year average)	Variable (such as 3% - 45% or more)	In case of 'unprocessed' organic products, they have to have their products certified by the Korean authority to be able to sell the products as "organic" in Korea.	Growing demand for organic and environmentally friendly products

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

For further information about the Korean agricultural market, please contact:

U.S. Agricultural Trade Office
Korean Address: Room 303, Leema Building
146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550
Telephone: 82-2 397-4188 Fax: 82-2 720-7921
E-mail: atoseoul@fas.usda.gov
Website: www.atoseoul.com

Agricultural Affairs Office
Korean Address: U.S. Embassy, 82, Sejong-ro, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-AgAff, APO, AP 96205-5550
Telephone: 82-2 397-4297 Fax: 82-2 738-7147
E-mail: agseoul@fas.usda.gov

For more information on how you can register for USDA/FAS' Supplier List:
The United States Department of Agriculture's Foreign Agricultural Service (USDA/FAS) offers information and services that can be beneficial to both new and experienced exporters. For example, the U.S. Suppliers Service is a searchable database of over 5,000 U.S. exporters and their products, which is used by USDA/FAS to help facilitate connecting potential buyers with U.S. suppliers. This database is used by more than 85 USDA FAS Overseas offices to help export agents, trading

companies, importers and foreign market buyers locate U.S. suppliers. It is also used to recruit U.S. exporters to participate in market development activities sponsored by USDA and federal export programs.

You can register online for this service at
http://www.fas.usda.gov/agexport/exporter.html

AgConnections Team
AgExport Services Division, Foreign Agricultural Service, Washington, D.C.
Telephone: 202-690-4172 Fax: 202-205-2963
E-mail: joyce.estep@usda.gov
Website: www.fas.usda.gov/agx/agx.html

For further information about sanitary and phytosanitary requirements, please contact:

U.S. Animal Plant and Health Inspection Service (APHIS)
Korean Address: Room 303, Leema Building
146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-APHIS, APO, AP 96205-5550
Telephone: 82-2 725-5495 Fax: 82-2 725-5496
E-mail: yunhee.kim@aphis.usda.gov
Website: www.aphis.usda.gov

For information about activities by Strategic Trade Regional Groups, please contact:

Food Export Association of the Midwest USA
309 W. Washington St., Suite 600
Illinois 60606
Telephone: 312-334-9200 Fax: 312 334-9230
E-mail: thamilton@foodexport.org
Website: www.foodexport.org

Western United States Agricultural Trade Association (WUSATA)
2500 Main Street, Suite 110, Vancouver, WA 98660-2697, USA
Telephone: 360-693-3373 Fax: 360-693-3464
E-mail: bruce@wusata.org
Website: www.wusata.org

Food Export USA - Northeast Region of the United States
150 S. Independence Mall West, 1036 Public Ledger Building
Philadelphia, PA 19106, USA
Telephone: 215-829-9111 Fax: 215-829-9777
E-mail: jcanono@foodexportusa.org
Website: www.foodexportusa.org

Southern United States Agricultural Trade Association (SUSTA)
2 Canal Street Suite 2515, New Orleans, LA 70130, USA
Telephone: 504-568-5986 Fax: 504-568-6010
E-mail: jim@susta.org

Website: www.susta.org

For information on the commercial and industrial products in Korea, please contact:

U.S. Commercial Service
Korean Address: U.S. Embassy, 82, Sejong-ro, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-USCS, APO, AP 96205-5550
Telephone: 82-2 397-4535 Fax: 82-2 739-1628
E-mail: Seoul.office.box@mail.doc.gov Homepage: www.buyusa.gov/korea

SECTION VI. OTHER RELEVANT REPORTS

You may find more information on Korean market reports at www.atoseoul.com:
Such as 1. Exporter Guide Annual 2012 2. Retail Food Sector Biannual Brief
3. FAIRS Country Report 2012