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Walnuts Almonds and Pistachios

Report Categories:

Tree Nuts

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Report Highlights:

U.S. exports of value-added, consumer-oriented agricultural products to Korea reached a record high of \$2.8 billion in 2012, after the implementation of KORUS FTA. U.S. exports of fruit, tree nut, dairy, and vegetable products expanded greatly. In 2012, Korean imports of tree nuts including walnuts, almonds and pistachios, were almost exclusively from the United States. With KORUS' tariff reductions U.S. walnut exports increased 21 percent to reach \$98 million and Korea became the largest U.S. market for shelled walnuts, surpassing both Germany and Japan. After the elimination of the 8-percent duty on U.S. almonds, exports to Korea jumped 52 percent to \$128.6 million. The elimination of the 30 percent duty on pistachios allowed shipments to Korea to leap 270 percent to \$6.7 million, in 2012.

General Information:

SECTION I: Korea Market Overview

Walnuts, Almond and Pistachios of Tree Nuts: Korea imports these three tree nuts almost exclusively from the United States. With KORUS' tariff reductions for walnuts, Korea became the largest market for U.S. walnuts in the world in 2012, surpassing both Germany and Japan. U.S. walnut exports increased 21 percent to reach \$98 million in 2012. After the elimination of the 8-percent duty on U.S. almonds, U.S. exports almonds to Korea jumped 52 percent to \$128.6 million. The elimination of the 30 percent duty on pistachios allowed shipments to Korea to increase 270 percent to \$6.7 million.

KORUS FTA eliminated duties on almost two-thirds of U.S. agricultural exports to Korea, increasing opportunities for many farm products. These products, with duties previously ranging from 1 to 487 percent, include wheat, corn, soybeans for crushing, whey for feed use, hides and skins, cotton, almonds, pistachios, orange juice, cherries, and wine. Additionally, many other products gained duty-free tariff-rate quota access and tariff reductions, with duties falling to zero over time. Following the implementation of KORUS, U.S. exports of value-added, consumer-oriented agricultural products to Korea reached a record high of \$2.8 billion in 2012. U.S. exports of fruit, tree nut, dairy, and vegetable products expanded greatly.

Korea is currently the world's 13th-largest economy and the sixth-largest market for U.S. farm products. The United States remains the leading supplier of consumer-ready food products to the Korean retail sector. Total U.S. agricultural exports are forecast to increase slightly in FY 2013 to reach \$6.3 billion, up \$100 million from FY 2012. The United States exports of high-value, consumer oriented agricultural products to South Korea reached a record \$2.8 billion in 2012 as a result of the United States-Korea Free Trade Agreement (KORUS), which took effect on March 15, 2012.

Table 1: Advantages and Disadvantages for U.S. Export Tree Nuts

ADVANTAGES	DISADVANTAGES
No local production of almonds and pistachios, and little local production of walnuts	Importing prices occasionally fluctuate.
Mandatory fumigation for U.S. walnut was released since January 2012.	Market demanding is not always supplied timely by U.S. suppliers.
The KORUS FTA made U.S. tree nuts more competitive.	Safety examinations and certification are always requested to be paid attention for Korea customs clearance.

WALNUTS

SECTION I: Market Overview

Currently, local production of walnuts is very limited in Korea due to unfavorable weather condition. Demand for walnuts remain strong in Korea due to highly publicized health benefits of eating walnuts. Local food processors are also continuing an effort to introduce new products that incorporate walnuts. The United States has been the dominant supplier of walnuts to Korea. Although imports of American walnuts continued a strong growth in 2012, the market share held by American walnuts declined significantly due to new entry of Chilean walnuts to the Korean market. Almost all walnuts imported are shelled products.

Table 2: Korean Imports of Walnuts

Country	2010		2011		2012	
	\$1,000	MT	\$1,000	MT	\$1,000	MT
World	64,452	8,602	81,328	9,432	114,308	11,027
United States	64,452	8,602	81,328	9,432	98,010	9,623
Chile	0	0	0	0	15,093	1,252

China	0	0	0	0	770	96
Others	67	0	0	0	435	56

Source: Korea Trade Information Service (KOTIS) Data, HS 080231/080232, Walnuts, Fresh or Dried, In Shell/Shelled or Peeled

SECTION II: Opportunities and Threats

Duties on shelled walnuts (HS: 0802320000) will be removed over six equal annual stages beginning on the date the Agreement enters into force, March 15, 2012. Duties on in shell walnuts (HS: 0802310000) will be removed over 15 equal annual stages beginning on the date the Agreement enters into force, March 15, 2012.

Table 3: Tariff Phase-Out Schedule under KORUS

HSK 10	Description	Base Rate	2012	2013	2014	2015
0802310000	In shell	45	42	39	36	33
0802320000	Shelled	30	25	20	15	10

Market Size, Structure, Trends

With the awareness of health benefits, the demand for walnuts will continue to grow and as long as local production and imports can supply demand, the market is expected to show positive growth in near future. The majority of the imports were sourced from California. The US has been the most important trade partner for walnuts in Korea accounting for 87% market share in 2012. Import volume increased by 17% from 9,432 MT to 11,027 MT while value increased by 41% from \$81.3 million to \$114.3 million even the real economy shows sluggish in 2012.

The consumption was led by the food service sector and food processing companies. Walnuts are favored by bakery and confectionery manufacturers. Also, traditional local snack called Hodo Kwaja, which uses walnuts as a main ingredient. Positive media coverage on the effects of walnuts contributed to a major increase in retail consumption. Benefits like high omega-3 content, vitamin B and prevention of heart diseases, among others, appealed to consumers.

Most walnuts are sold in the shelled packaged format in retail outlets. Due to the difficulties of long storage and small consumption volumes, package sizes usually range from 100-300 gram in size. Local walnut production is about 3-4 MT a year which is far less to the consumers demand.

ALMONDS

SECTION I: Market Overview

Almonds are not grown in Korea, and the United States remains the dominant supplier of almonds to Korea. Korean consumers maintain a strong demand for nuts, including almonds, due to highly publicized health benefits of eating nuts. Almost all imported almonds are shelled products. The bakery industry has been a major destination of almonds, including slices and powder, but sales of whole almonds in retail stores have also shown strong growth. Local food processors are also continuing an effort to introduce more products that incorporate nut ingredients.

Table 4: Korean Imports of Almonds:

Country	2010		2011		2012	
	\$1,000	MT	\$1,000	MT	\$1,000	MT
World	66,955	13,024	85,440	15,513	128,623	22,678
United States	66,481	12,945	84,744	15,400	128,573	22,671
Chile	466	78	685	112	31	5

France	3	0	7	1	9	1
Spain	3	0	0	0	1	0
Others	2	1	4	0	9	1

Source: Korea Trade Information Service (KOTIS) Data, HS 080211/080212, Almonds, In Shell/Shelled

SECTION II: Opportunities and Threats

Import duties on almonds were eliminated upon implementation of the agreement.

Table 5: Tariff Phase-Out Schedule under KORUS FTA:

HSK 10	Description	Base Rate	2012	2013	2014
0802110000	In Shell	8%	0	0	0
0802120000	Shelled	8%	0	0	0

Market Size, Structure, Trends

There is no local production and local consumption is entirely reliant on imports. Despite the increase in prices for almonds, steady demand continued. In 2012, total consumption experienced growth of 46% from 15,513 MT in 2011 to 22,678 MT. Demand from the foodservice and confectionery industries accounted for 76% of almond consumption. Almonds were originally highlighted due to its unsaturated fat, which is very helpful for heart health. With the increasing health benefit awareness for almonds, retail consumption continued expanding to reach 24% of total consumption.

Almonds are known to be good for heart health since they contain unsaturated fats. Recently, almonds were highlighted as very helpful for weight management by controlling appetite. Almonds have also been touted by dermatologists for improving skin health. These factors have contributed to increasing the popularity of almonds among young female Korean consumers. Almonds consumption in Korea is led by the foodservice and industrial sector, such as bakeries and confectionery companies.

The U.S. is the main trade partner. Almonds are imported from the US and Chile. Due to the dominance of California almonds, the main variety is the Nonpareil, from the U.S.

The U.S. dominates with more than 99% volume share of total imports in 2012. Since nearly all almonds are from the U.S., many consumers pay little attention to the country of origin. The majority of almonds in Korea are imported from the U.S. raw, and they are roasted locally prior to being sold. Roasted almonds are the most common format sold in the retail market, as they can be directly consumed as snacks or used as ingredients. The most popular package sizes are around 250-300 gram, as the average consumption per household is relatively low. Other formats, including sliced almonds and almond powder, are also available in small volumes for the purposes of home baking.

PISTACHIOS

SECTION I: Market Overview

No pistachios are grown in Korea and the United States remains the dominant supplier. Almonds and walnuts are the leading products in the market but demand for other specialty nuts, including pistachios, is likely to expand in the coming years. Korean consumers maintain a strong demand for various tree nuts due to highly publicized health benefits of eating nuts. While in-shell pistachios are enjoyed largely as a healthy snack or side dish with alcohol beverages, shelled products are used by the processing industry for various applications, including baking, snacks, and ice cream.

Table 6: Korean Imports of Pistachios:

Country	2010		2011		2012	
	\$1,000	MT	\$1,000	MT	\$1,000	MT

World	3,340	348	3,000	277	6,996	797
United States	3,031	327	2,468	251	6,669	787
Iran	308	20	531	26	327	10
Others	1	1	0	0	0	0

Source: Korea Trade Information Service (KOTIS) Data, HS 0802510000/0802520000, Pistachios, Fresh or Dried, Shelled or Peeled

SECTION II: Opportunities and Threats

Duties on pistachios will be removed immediately upon implementation of the agreement.

Table 7: Tariff Phase-Out Schedule under KORUS FTA:

HSK 10	Description	Base Rate	2012	2013	2014
0802500000	Pistachios	30%	0	0	0

Market Size, Structure, Trends

Domestic consumption of pistachios reached 797MT in 2012, jumped about 3 times higher from 277 MT in 2011. Pistachios are not locally produced and domestic consumption is 100% dependent on imports, 99% from U.S. The U.S. pistachios dominated the retail channels in 2012. In-shell pistachios are available raw or roasted, but roasted products are more commonly purchased by retail consumers. The U.S. pistachios dominated the retail channels in 2012. Most pistachios are imported raw and baked or roasted domestically.

Pistachios are known to contain high fiber to control cholesterol and prevent heart disease. The nut has been gaining in popularity in Korea with increasing awareness of its health benefits. The market size for pistachios is still small in Korea, and the varieties are not specified. As demands are expected to be stable, imports are expected to remain stable in the future. Many pistachios are consumed in retail consumption but with the increasing awareness of their health benefits more processed packaged food manufacturers and food service operators are looking at pistachios. For example, one of the leading ice cream fast food operators, Baskin Robbins introduced ice cream containing pistachios in 2010 and is steadily growing popularity in the market.

Roasted pistachios are commonly preferred for home consumption due to their crispy, nutty taste. Within the retail environment, naturally open in-shell pistachios are the most popular. Shelled pistachios are sold to food service users such as bakeries.

SECTION III: COSTS AND PRICES / DISTRIBUTION CHANNEL

Table 8: Average Import Prices from USA per metric ton

Year	Almond	Walnut	Pistachio
2005	6,935	5,456	5,607
2006	7,356	6,283	7,000
2007	5,700	6,819	5,887
2008	5,112	9,626	5,701
2009	4,531	4,541	7,632
2010	5,135	7,493	9,269
2011	5,502	8,623	9,833
2012	5,671	10,185	8,474

Source: Korea Trade Information Service, based on CIF prices

SECTION IV: MARKET ACCESS

All tree nuts including almond, walnuts and pistachios must be accompanied by a Phytosanitary Certificate, PPQ Form 577, issued by USDA/APHIS (Animal & Plant Health Inspection Service). The issuance date of the phytosanitary certificate shall be prior to the departure date listed on the Bill of Lading. Also, the inspection date on a certificate must be prior to the departure date. Traders say that there are currently no significant barriers or problems in importing tree nuts from the United States to Korea.

Both in-shell and shelled walnuts mandatory fumigation was released since January 2012 according to the schedules agreed between USA and Korea but still accompanied by a Phytosanitary certificate, PPQ Form 577, issued by USDA/APHIS

For further details on plant quarantine issues, please contact your local APHIS/PPQ office, and/or APHIS Seoul Office listed in Section V of this report.

SECTION V: ENTRY STRATEGY

One of the best ways to enter into the Korean market is to contact potential importers directly by introducing the exporting company and its products through e-mails and/or fax to explore possible market opportunities in Korea. If U.S. exporters do not have lists of potential importers, they can contact ATO Seoul to obtain them.

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

1. Suggested Marketing Tools:

(1) ATO Newsletter

Please let us know if you want to have your product offers featured in the 'New American Supplier/Product' section in our quarterly e-newsletter, which is sent out to our 3,000 industry contacts. It is free of charge, and all we need is a brief article about your company/product, contact info, and a couple of graphic images (logos or product photos). Next issue is published in June 2013.

(2) Seoul Food & Hotel Show

I would also like to bring your attention to the Seoul Food & Hotel show (www.seoulfoodnhotel.co.kr), the leading food trade show in Korea that provides a venue for new-to-market suppliers to develop contacts with a large number of local distributors and buyers. This is the only show in Korea that is officially endorsed and supported by USDA/FAS. The show schedule for this year is May 14-17, 2013. ATO Seoul will collaborate with USDA cooperators and state departments of agriculture to organize a sizable U.S. pavilion at the show. For registration information, please contact the U.S. pavilion manager, Oak Overseas (Russell Hood, Rhood@oakoverseas.com). Please also note that State Regional Trade Groups (SRTG) are recruiting delegation of suppliers to the pavilion and offer financial supports. For more information about SRTG delegation programs to the show (and other support available to US food and agricultural product suppliers) please contact the office that covers your geographic region.

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E-mail: jim@susta.org
Website: www.susta.org

2. Additional Market Information:

You may want to visit our internet homepage (www.atoseoul.com) for various information about the Korean market and product/industry reports. In particular we would like to draw your attention to our Korea Exporter Guide 2012 which contains key market information for new-to-market suppliers. Please note that our homepage also has a special section dedicated to the Korea-U.S. Free Trade Agreement.

SECTION VI: KEY CONTACTS AND FURTHER INFORMATION

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
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Agricultural Affairs Office

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USDA, Animal Plant and Health Inspection Service (APHIS)

Korean Address:
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Website: www.aphis.usda.gov
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