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## **Korea - Republic of**

**Post:** Seoul ATO

### **Pet Food Market Brief - Update**

**Report Categories:**

Product Brief

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**Report Highlights:**

Korea imported \$112 million worth of pet food in 2012. This is an 11 percent increase compared to the \$101 million imported in 2011. Pet food sales are expected to grow in 2013.

South Korea imported \$30 million worth of pet food from the United States in 2012, up from \$27 million in 2011. This 11 percent change is predicted to continue to grow in 2013 due to the growing popularity of pets, especially dogs, in Korea.

## **General Information:**

### **GENERAL INFORMATION:**

#### **SECTION I. MARKET OVERVIEW**

Korea still has potential for growth in the pet food and pet care product market largely due to per capita income growth in recent years. 2012 per capita income in South Korea has reached a record high of \$22,700, compared to \$21,600 in 2007.

Among Korean pet food suppliers in 2012, China had the largest market share (27 percent), amounting to \$30.2 million, followed by the United States (26 percent), France (17 percent), and Thailand (11 percent). The remaining 19 percent was divided among many countries.

Competition from Chinese suppliers has increased reportedly due to the influx of Japanese investment in Chinese pet food manufacturing companies and China has been the largest exporter of pet food to Korea since 2011. Korea continues to import pet treats from China as well as pet food. There is expected to be a continued growth in demand for pet food resulting from increased income and popularity in pet ownership, especially dogs. Dog treats registered the fastest current value growth of 8 percent.

#### **SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS**

##### **1. Opportunities**

- As pets eat more healthily and have access to adequate medical care, they are living longer and the senior pet population is growing. However, the product offer for senior pets (e.g. Cesar Senior and MM Dogs) is insufficient and there is high potential for senior-specific pet food.
- As dog food has reached a stage of maturity, premium and functional products will continue to drive retail value growth. Premium dry dog food is expected to post robust growth of 3 percent and product offerings will be diversified to satisfy different demands of dog owners (e.g. allergy care food may be diversified to cater to range and severity of symptoms).
- Most of the pet food bought by the Korean consumer is dry food, although canned wet food is considered a premium product and is available. Korean dry pet food makes up 95 percent of the market while wet canned pet food makes up 5 percent. It is recommended that dogs eat a diet of 30-40 percent wet food to help digestion. Because of the high price of wet food and the fact that not many owners are aware of this recommendation, wet food is expected to grow by a 1 percent, compared to 2 percent annually for dry food during the next several years.
- Concerted efforts to save abandoned animals will increase the number of cat- and/or dog-owning households, thereby boosting demand for pet food.
- Internet shopping for pet food can be an inexpensive and a convenient way to shop for pet food.

Many individuals are designing websites and offering delivery service for a small fee. Some trade contacts suggest that internet-based pet food sales makes up 30 percent of the Korean pet food market.

## 2. Constraints

- U.S. pet food exports to South Korea are currently limited to pet food without any ruminant ingredients.
- The retail side of the pet food market can be difficult to enter due to the many small shops available. This makes it hard to have competitive prices as well as establish a good customer base. Korea currently has no large convenient pet food store such as PetSmart.
- France is competing with the United States for the largest market share of pet food in Korea by weight. China surpassed the United States and is now the biggest exporter in terms of value. Many Japanese companies, who were the leading supplier of pet treats to Korea, moved their plants to China in early 2007.
- Korean imports 60 percent of all pet food consumed, only 40 percent is domestically produced.

**Table 1: Dog Owning Households: % Analysis**

	2009	2010	2011	2012
% Analysis	10.0%	10.5%	11.5%	12.5%

Source: Euromonitor International from official statistics

**Table 2: Dog Population**

	2009	2010	2011	2012
1,000 of animals Dog Population	2,459	2,564	2,608	2,644

Source: Euromonitor International from official statistics

**Table 3: Cat Owning Households: % Analysis**

	2009	2010	2011	2012
% Analysis	0.9%	0.9%	1.1%	1.3%

Source: Euromonitor International from official statistics

**Table 4: Cat Population**

	2009	2010	2011	2012
1,000 of animals Cat Population	232.0	260.0	293.8	326.1

Source: Euromonitor International from official statistics

## SECTION III. TRENDS IN CONSUMPTION

### 1. Market Trend

- Korea imported 37,561 tons of pet food in 2012 including 13,369 tons from the United States; a minor increase from 2011 when Korea imported 13,100 tons from the United States.

- The Korean Pet Product Manufacturers Association estimates there are 2.6 million pet dogs in Korea.
- The trend towards premium products is a key trend, exerting upward pressure on unit prices: average current unit price rose by 3 percent in 2011 and 2 percent in 2012.
- Wet pet food as well as the organic pet food business accounts for a small portion of the market, however both organic and wet pet food are considered to be a premium type of food versus dry pet food. Dry food accounts for over 90 percent of consumption.
- According to the Korean Pet Industry Association, more pets live in apartments than outdoors. Since indoor dogs are more prone to allergies, products that help to ease allergic reactions, such as organic and herbal food, are in higher demand.
- Dogs accounted for 89 percent of the pet population in 2011 and continue to increase.
- Many hotels in Korea offer upscale services for pets including beauty salons among other services. Some dog cafes are running in the middle of busy commercial areas.

**Table 5: Value Sales of Dog Food by Category** (Unit: US\$Million)

	2009	2010	2011	2012
(1)Dog Treats and Mixers	48.3	53.5	58.0	61.4
(2)Dry Dog Food	180.9	186.9	195.7	203.5
(3)Wet Dog Food	19.9	20.0	20.1	20.9
Dog Food (1+2+3)	249.0	260.4	273.8	285.8

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

**Table 6: Value Sales of Premium Dog Food by Category** (Unit: US\$Million)

	2009	2010	2011	2012
Premium Dry Dog Food	127.3	131.7	139.0	145.2
Premium Wet Dog Food	16.5	16.5	16.5	17.2
Premium Dog Food	143.7	148.2	155.5	162.4

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

**Table 7: Value Sales of Cat Food by Category** (Unit: US\$Million)

	2009	2010	2011	2012
(1)Cat Treats and Mixers	8.9	9.8	11.1	12.8
(2)Dry Cat Food	2,404	2,671	3,045	3,432
(3)Wet Cat Food	313	391	467	551
Cat Food (1+2+3)	2,726	3,072	3,523	3,996

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

**Table 8: Value Sales of Premium Cat Food by Category** (Unit: US\$Million)

	2009	2010	2011	2012
(1)Premium Dry Cat Food	17.5	20.7	25.2	30.3
(2)Premium Wet Cat Food	0.8	1.1	1.5	1.9
(3)Premium Cat Food	18.4	21.8	26.7	32.2

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

## 2. Imports Trend & KOR-US FTA:

Korea's imports of pet food totaled \$113 million in 2012, up 11 percent from the previous year. Dog food accounted for 81 percent of overall pet food imports. The U.S. remained a leading exporter of pet food to Korea.

The 5 percent base import tariff previously charged to American pet food was eliminated immediately upon implementation of the Korea-U.S. Free Trade Agreement (KORUS FTA) on March 15, 2012. Among the top three suppliers, China is the only one that does not have a FTA with Korea. As a result, Chinese products are still subject to the 5 percent import tariff.

**Table 9: Korea's Imports of Pet Food**(HS2309.10: Dog or Cat Food, Put up for Retail Sale)

Country	2011		2012	
	Value	Weight	Value	Weight
Total Sum	101,132	36,307,692	112,691	37,561,048
Pr.China	27,213	4,529,767	30,188	4,672,528
U.S.A	27,364	13,099,835	29,716	13,368,782
France	15,540	6,133,604	18,879	7,324,664
Thailand	11,494	5,474,559	11,997	4,743,944
Australia	11,969	5,282,786	10,808	4,717,892
Japan	2,259	206,248	2,493	212,088
Canada	1,249	422,069	2,396	752,023
Netherland	1,562	404,263	1,936	679,859
Germany	758	199,840	1,103	286,682
Other	1,724	554,721	3,175	802,586

Source: KOTIS Database ([www.kita.net](http://www.kita.net))

Unit: \$1,000 USD, Kilogram

## 3. Distribution Channel

Importers and manufacturers distribute pet foods to discount stores including grocery stores (40 percent), general supermarkets (10 percent) and internet market (20 percent) and small pet shops/vet clinics (30 percent).

## SECTION IV. COSTS AND PRICES

Wet pet food continues to be popular among owners who are not sensitive to price and who are relatively brand conscious. Pet owners are concerned mainly with the quality of the pet food, so effective information at the point of sale favorably affects purchase decisions. Discount stores carry

only a few brands in bulk quantities, but at much lower prices, and medium and small sizes grocery stores carry a larger variety at slightly higher prices. The internet offers very competitive prices, however there is some skepticism about this popular method. Veterinarian clinics and pet shops carry a variety of brands and sizes at higher prices.

**Table 10: Dog Food by Price Band 2011**

	Wet dog food	Dry dog food
Premium (Price Range per Kg)	Above \$7.30 (Won8,000)	Above \$5.5 (Won6,000)
Standard	\$4.5 - \$7.3 (Won5,000-Won8,000 )	\$2.7 - \$5.5 (Won3,000-Won6,000)
Economy	-	Below \$2.7 (Won3,000)

Source: Euromonitor International

Note: The price bands were determined on the basis of 1) hypermarket sales and 2) pack sizes below 2kg, which is the standard and most sold size Exchange Rate: One US dollar equivalents 1,100 Korean Won

**Table 11: Cat Food by Price Band 2011**

	Wet cat food	Dry cat food
Premium (Price Range per Kg)	Above \$9.1 (Won10,000)	Above \$9.1 (Won10,000)
Standard	\$6.4-\$9.1 (Won7,000-Won10,000)	\$5.5 - \$7.3 (Won6,000-Won8,000)
Economy	-	Below \$5.5 (Won6,000)

Source: Euromonitor International

Note: The price bands were determined on the basis of 1) hypermarket sales and 2) pack sizes below 2kg, which is the standard and most sold size

Exchange Rate: One US dollar equivalents 1,100 Korean Won

## SECTION V. MARKET ACCESS

### 1. Documents & Certificates Requirements

According to the Korea Feed Management Act([www.law.go.kr](http://www.law.go.kr)) governed by the Ministry of Agriculture, Food and Rural Affairs (MAFRA), importers of feed (including pet food) should submit required documents for ‘feed ingredient registration’ to the governor of the provincial government (there are eight provincial governments in Korea) or the city mayor to be able to sell the product in Korea. Korean importer should submit required documents (ingredient list, Korean language label information, and added veterinary medicine contents list) to the Provincial government (or City government) to sell the products in Korea. In addition, importers should submit required documents for ‘import registration’ to inspection agencies accredited by MAFRA. These are separate registration processes required to have your product enter the Korean market.

Imported pet food shipments must be accompanied by Export certificates issued by USDA/APHIS ([www.aphis.usda.gov](http://www.aphis.usda.gov)) to enter Korea as agreed between the U.S. and the Korean government. The [APHIS](http://www.aphis.usda.gov) website details the type of certificate required by ingredient for shipments to Korea as well as general guidelines. Please contact the APHIS office in your [region](#) for further assistance.

### 2. Tariff and Labeling

The 5 percent base import tariff previously charged to American pet food was eliminated immediately upon implementation of the Korea-U.S. Free Trade Agreement (KORUS FTA) on March 15, 2012. Among the top three suppliers, China is the only one that does not have an FTA with Korea. As a result Chinese products are still subject to the 5 percent import tariff.

Korean language labeling for pet food shall be made in accordance with Appendix 4 of the Feed Management Act. You may find Appendix 4 for the Korea Feed Management Act via [ww.law.go.kr](http://ww.law.go.kr), however it is available in Korean only. Pet food can be classified as compound feed or feed ingredient/feed supplements depending on the product characteristic. Appendix 4 provides two labeling requirements' one for compound feed and the other for feed ingredient/feed supplement.

## **SECTION VI. KEY CONTACTS AND FURTHER INFORMATION**

### **1. Key Contacts for more Information:**

You may want to visit the ATO Seoul website ([www.atoseoul.com](http://www.atoseoul.com)) for various information about the Korean market, including: 1) APHIS website details the type of certificate required by ingredient for shipments to Korea as well as general guidelines. Please contact the APHIS office in your region for further assistance. Imported pet food shipments must be accompanied by an Export certificate issued by USDA/APHIS ([www.aphis.usda.gov](http://www.aphis.usda.gov)) to enter Korea as agreed between the U.S. and the Korean government.

### **2. Other Relevant Reports:**

- (1) Market Reports: particularly the Exporter Guide, FAIRS Report, Retail Food Sector, Pet food Market Brief Update and HRI Food Service Sector Report are recommended to new to market suppliers.
- (2) Korea's Agricultural Import Statistics: indicates import trends by four digit HS code, updated monthly.
- (3) KORUS FTA Product Briefs: we have short briefs on over 40 "top priority" products.

### **3. Suggested Marketing Tools:**

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). The next issue will be published in September 2013.

### **4. Local Show Participation:**

- (1) Seoul Food & Hotel ([www.seoulfoodnhotel.co.kr](http://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 next year is May 2014. There will be a sizable U.S. pavilion in the show put together by various American Ag promotion agencies including state regional trade groups and state departments of agriculture. For registration information, please contact the U.S. pavilion manager, Oak Overseas (Russell Hood, [Rhood@oakoverseas.com](mailto:Rhood@oakoverseas.com)).
- (2) Information on Pet Shows in Korea, Korea Pet Expo 2013 (KOPET 2013) is held November 8 - 10, 2013 at aT Center in Seoul, organized by FAIRS and supported by the Korea Pet Association, Korea Aquarium Fish Association, Korea Animal Companion Association and others. This show attests to the growing affluence of Korean consumers as their interest in owning pets continues to grow. Detailed information on KOPET 2013 can be found on the web site: [www.kopet.com](http://www.kopet.com)

