

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 3/21/2014

GAIN Report Number: KS1412

Korea - Republic of

Post: Seoul ATO

Fresh Fruits Import from U.S.

Report Categories:

Fresh Fruit

Approved By:

Kevin Sage-El, ATO Director

Prepared By:

Jaemin KIM, Intern / Youngsook, OH, Ag. Marketing Specialist

Report Highlights:

In 2013, South Korea's fresh fruit imports reached to \$940 million in value with 684,000 Metric Tons in volume, increased by 4.6 percent from 2012. Fresh fruit imports from the United States were worth \$374 million in value and 200,000 Metric Tons in volume, up by 1.4 percent from the previous year with about 40 percent market share in Korea. The United States maintains dominant market shares for citrus including oranges, lemons, limes, grape fruits and others for pomegranates, cherries, blueberries and grapes. Fresh vegetable imports from U.S. were relatively small, amounting to \$16 million out of \$258 million from whole world in 2013. The Korea-U.S. Free Trade Agreement boosted the competitiveness of many goods through tariff cuts and the lifting of various import barriers.

Executive Summary:
Executive Summary:

SECTION I: MARKET OVERVIEW

Korea is one of the top importing countries in the world with 70% of the agricultural products being imported and currently the world's 12th largest economy. Through the statistics, it could be shown that Korean market and the trading market is strong and well off. Product quality is a main issue in Korea nowadays. Many Koreans are really concerned and careful with their product selections and are ready to pay high prices for fresh, clean and safe products. With the FTA agreement between the Republic of Korea and the United States (KORUS FTA) put into effect from March 2012, lower tariffs have pushed forward the volume of import and export.

In the domestic production, the major local fruits that are produced by volume ranking are apples, pears, peaches, grapes, tangerines, persimmons, plums, and others. The total production of domestic fruits is 2.4 million Metric Tons, and of that production, 11% or 300,000 Metric Tons, comes from grapes. Some of the products, such as pomegranates, are harvested only a few in Korea. Many consumers and importers are in need of fresh fruits but are not able to satisfy their needs from domestic sources compared to the amount that is currently exported to Korea.

Consumption of fresh produce showed strong positive growth rates from 2010 to 2013. Improved economic conditions are allowing Korean consumers to consider quality and diversity on a greater scale while grocery shopping.

Table 1: Consumption (Kg per capita) of Fresh Fruits in South Korea ^[1]

<i>Kg per capita</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>% change 2010-2013</i>
Fruits	57.9	58.7	59.7	61.1	5.5 percent

Source: Euromonitor from trade sources/national statistics 2014

General Information:

SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

Advantages	Disadvantages
Consumers' acceptances toward imported fruits are increasing. As more and more Koreans travel abroad they become more familiar with foreign fruits. In addition, they demand certain fruits when they are not in season in Korea.	Koreans tend to consider imported fruit inferior and less safe compared to local fruit. Due to repeated food safety issues, consumers' concern about imported products is very high.
The demands for new and greater varieties of fruits, such as blueberries, cherries, and pomegranates are rising significantly.	Some fruits are produced locally in Korea and the political power of producer groups is significant, which can adversely affect availability of imported fruits.
As family sizes decline, price is becoming a less important factor in the purchase of	Local fruits are very price competitive against imported fruits. Local fruits are sometimes

fruit. Consumers are willing to pay extra for taste and quality.	cheaper than U.S. imported fruits.
Upon implementation of the Korea-U.S. FTA, tariff reductions will lower the price for U.S. fruits, making them more attractive for Korean consumers.	Most varieties of U.S fruits share the same marketing season with domestic fruits.

SECTION III: MAJOR FRESH FRUITS IMPORTED FROM U.S.A

1. Oranges

Market Overview:

In 2012, Korea was the largest market for U.S. fresh oranges by value and volume. The United States supplied about 166,931 tons of fresh oranges worth about \$211 million to Korea in 2012, accounting for about 96 percent of total fresh oranges imports. Chile and South Africa account for 2 percent and 1 percent, respectively. The increase in Korean imports of U.S. fresh oranges of 23 percent (31,241 MT) in 2012 was helped by the lower KORUS duty (30 percent) during March 1st through August 31st.

Korean Imports of Fresh Oranges:

Country	2011		2012		2013	
	\$1,000	MT	\$1,000	MT	\$1,000	MT
World	170,176	141,961	219,887	173,943	194,874	152,714
United States	161,850	135,690	210,773	166,931	186,169	145,741
Chile	5,390	3,760	4,225	3,136	3,365	2,355
South Africa	1,779	1,638	2,229	2,056	4,088	3,744
Spain	311	292	285	230	245	217
Others	846	581	2,375	1,590	1,007	657

Source: Global Trade Atlas, HS 080510, Oranges, Fresh or Dried

Tariff Phase-Out Schedule under KORUS FTA:

For oranges imported between March 1 and August 31, the duty will fall from the current 50 percent to 30 percent upon implementation and decrease by 5 percentage points each year.

A 2,500 MT zero-duty tariff-rate quota (TRQ) will be opened for U.S. oranges entering between September 1 and the end of February. The in-quota volume will increase to 2,814 MT by 2016 and will increase by 3 percent annually thereafter. (In 2011 imports of U.S. oranges during these months totaled 27,142 MT.) Imports above the 2,500 MT will be assessed a 50 percent duty.

HSK 10	Description	Base Rate	2012	2013	2014	2015	2016
0805100000	Oranges						
March 1 – end Feb		50%	30%	25%	20%	15%	10%
Sept 1 - end Feb							
TRQ Volume (MT)*			2,500	2,575	2,652	2,732	2,814
In-quota duty			0	0	0	0	0
Out of Quota Duty		50%	50	50%	50%	50%	50%

*After year 5, the in-quota quantity increases by 3% per year, compounded annually.

The Korea Agro-Fisheries Trade Corporation will auction and allocate TRQ import licenses in August of each year.

2. Lemons and Limes

Market Overview:

Korea is the third largest market for U.S. lemons. In 2013, lemon imports are expected to increase by more than 30 percent over the previous year. Traditionally, lemons were not consumed extensively in Korean homes for cooking, but were mostly used in restaurants as garnish. However, extensive overseas travel by Koreans and newly perceived health benefits from including lemons in the diet has resulted in increased growth in import volumes.

The United States is Korea's largest supplier of limes and enjoys a 90 percent share of a small but growing market. In 2012, Korea imported approximately \$321,000 in limes and \$246,000 from the United States. Limes are not consumed extensively in traditional Korean meals. Nevertheless, increasing overseas travel by Koreans and newly perceived health benefits from including limes in the diet has resulted in growth in import volumes. There were not enough U.S. suppliers for the Korean market while Korean importers were looking for limes in 2012-2013. Limes, depending on species, will enter duty-free upon implementation of the agreement or phased out over a 10-year period.

Korean Imports of Lemons:

Country	2011		2012		2013	
	\$1,000	MT	\$1,000	MT	\$1,000	MT
World	10,365	7,392	17,168	10,664	25,975	13,950
United States	8,878	6,356	15,071	9,250	23,791	12,619
Chile	1,486	1,037	2,001	1,407	2,115	1,330
Others	0	0	96	7	69	1

Source: Global Trade Atlas, HS 080550, Lemons (Citrus Limon/Limonum) & Limes (Citrus Aurantifolia/Latifolia), Fr/Dried

Korean Imports of Limes:

Country	2011		2012		2013	
	\$1,000	MT	\$1,000	MT	\$1,000	MT
World	64	26.82	321	33.82	356	42.44
United States	58	20.82	246	32.60	287	41.34
Vietnam	6	6	52	0.7	69	1.09
Others	0	0	23	0.52	0	0

Source: Korea International Trade Association(KITA), HS 0805502010 / 0805502020 Limes (Citrus Aurantifolia/Latifolia), Fresh/Dried

Tariff Phase-Out Schedule under KORUS FTA:

Duties on Lemons will be phased out in two equal parts. Lemons entering from the United States will enter duty free in 2013.

HSK 10	Description	Base Rate	2012	2013	2014
0805501000	Lemons (Citrus Limon, Citrus Limonum)	30%	15%	0	0
0805502010	Limes (Citrus Aurantifolia)	30%	27%	24%	21%
0805502020	Limes (Citrus Latifolia)	144%	0	0	0

Tariff Phase-Out Schedule under KORUS FTA:

Limes, depending on species, will enter duty-free upon implementation of the agreement or phased out over a 10-year period.

HSK 10	Description	Base Rate	2012	2013	2014
0805502010	Limes (Citrus Aurantifolia)	30%	27%	24%	21%
0805502020	Limes (Citrus Latifolia)	144%	0	0	0

4. Fresh Grapes

Market Overview: Korean farms produce about 300,000 tons of fresh grapes every year, 90 percent of which are marketed from August through September. About 10 percent of local grapes are produced in green houses, which are marketed in other seasons. Almost all local grapes are consumed fresh, and only about 5,000 tons were used for processing in 2011. Imported fresh grapes target those seasons that local grapes are not available. Chile, which is subject to lower import duties than other exporters as a result of the Korea-Chile Free Trade Agreement implemented in 2004, is the leading supplier of imported fresh grapes to Korea. Both Chilean and American fresh grapes imports target affluent consumer groups which maintain stronger demand for new and international tastes. Imported grape varieties include Red Globes and Thompson Seedless.

Korean Imports of Fresh Grapes:

Country	2011		2012		2013	
	\$1,000	MT	\$1,000	MT	\$1,000	MT
World	114,745	45,189	138,685	54,192	176,798	58,743
Chile	99,526	39,179	117,935	46,597	144,320	47,413
United States	14,485	5,770	15,666	5,951	20,082	7,519
Peru	734	240	5,084	1,644	12,396	3,751

Source: Global Trade Atlas, HS 080610, Grapes, Fresh

Tariff Phase-Out Schedule for Grapes under KORUS:

Under the Agreement, the duty phase-out schedule will depend on the time of year imports occur. From May 1 through October 15, duties will be removed in 17 equal annual stages beginning on the date the Agreement enters into force, and grapes will enter duty-free, effective January 1 of year 17. From October 16 through April 30, duties will be reduced to 24 percent on the date the Agreement enters into force. Beginning January 1 of year two, duties shall be removed in four equal annual stages, and grapes will enter duty-free, effective January 1, 2016.

HSK 10	Description	Base Rate	2012	2013	2014	2015	2016
HSK0806100000 (1)	Grapes May 1-Oct 15	45%	42.4%	39.8%	37.2%	34.6%	32.0%
HSK0806100000 (2)	Grapes Oct 16-Apr 30	45%	24%	18%	12%	6%	0

5. Cherries (Fresh)

Market Overview: The market for imported fresh cherries in Korea has grown dramatically in recent years. Locally grown cherries present little competition to imported American cherries due to limited production and low quality. The United States, Northwest region in particular, is likely to remain the dominant supplier of fresh cherries to Korea. New Zealand cherries, which are imported during winter months in Korea, do not present direct competition to American cherries.

Korean Imports of Cherries:

Country	2011		2012		2013	
	\$1,000	MT	\$1,000	MT	\$1,000	MT
World	47,889	4,982	82,710	9,454	89,844	9,130
United States	45,472	4,737	80,929	9,325	87,478	8,933
New Zealand	1,660	131	1,667	123	2,092	142
Australia	364	28	110	8	119	9
Uzbekistan	349	81	4	1	155	46
EU	41	3	0	0	0	0
Others	3	2	0	0	0	0

Source: Korea Trade Information Service (KOTIS) Data, HSK 0809290000, Cherries, Fresh

Tariff Phase-Out Schedule under KORUS FTA:

Duties on fresh cherries were eliminated immediately upon implementation of the free trade agreement.

HSK 10	Description	Base Rate	2012	2013	2014
0809290000	Fresh Cherries	24%	0	0	0

6. Fresh Blueberries

Market Overview: Imports of fresh blueberries into Korea were prohibited until September 2011 when the Korean Ministry for Food, Agriculture, and Forestry & Fisheries announced an import protocol for fresh blueberries from the state of Oregon. As a result, the first ever shipments of American (Oregon) fresh blueberries to Korea entered the Korean market in 2012. Demand for blueberries and blueberry products are likely to remain very strong in Korea in the coming years due to highly publicized health benefits of eating blueberries. Food processors are also continuing an effort to launch new products that incorporate blueberries. Imports of 2013 showed 264 percent increase than a year of 2012. Locally grown blueberries are marketed in early summer, which presents some competition to Oregon fruit. However, traders note that Oregon fruit is competitive in quality and price. Chilean fresh blueberries, which also gained access to the Korean market in 2012, are offered at much lower price than Oregon fruits. But Chilean fruit is offered in off season during the winter months (between September – March), presenting no direct competition to Oregon fruit.

Korean Imports of Fresh Blueberries:

Country	2012		2013	
	\$1,000	MT	\$1,000	MT
World	2,392	194.6	7,192	707
United States	1,047	89	2,328	295
Chile	1,345	105	4,864	413

Source: Global Trade Atlas, HS 0810 40 0000, Cranberries, bilberries and other fruits of the genus *Vaccinium*

Tariff Phase-Out Schedule under KORUS FTA:

Under the Agreement, duties on fresh blueberries will be phase-out over 10 years. American (Oregon) fresh blueberries will enter the Korean market duty free on January 1 of 2021.

HSK 10	Description	Base Rate	2012	2013	2014	2015
0810400000	Other Fresh Fruits including Blueberries	45%	40.5%	36%	31.5%	27%

Export Requirements:

The import protocol allows for the import of fresh blueberry (*Vaccinium corymbosum* and *V. virgatum*) that is commercially produced in the State of Oregon and come from orchards and packing houses that are registered and controlled by USDA, Animal and Plant Health Inspection

Service (APHIS).

Fresh blueberry shipments must be accompanied by an APHIS phytosanitary certificate. These products will also be subject to inspections upon arrival in Korea.

7. Grapefruit

Market Overview: Imports of U.S. grapefruit were valued at \$11.4 million in 2012, up by 9 percent from 2011. Although typically priced higher than imported oranges, grapefruit is increasing in popularity and sales. Grapefruit is becoming a substitute for oranges which have long been a winter time favorite for Korean consumers. Red Ruby grapefruit is growing in popularity as Korean consumers find it to be a sweeter and milder variety. Purported health benefits of consuming grapefruit for an aging population are expected to stimulate demand into the future.

Korean Imports of Grapefruit:

Country	2011		2012		2013	
	\$1,000	MT	\$1,000	MT	\$1,000	MT
World	11,412	9,337	13,749	10,452	14,396	11,580
United States	10,543	8,671	11,442	8,681	11,871	9,487
Israel	868	666	2,307	1,770	1,414	1,070
South Africa	0	0	0	0	1,111	1,023

Source: Global Trade Atlas, HS 080540, Grapefruit Including Pomelos, Fresh Or Dried

Tariff Phase-Out Schedule under KORUS FTA:

Under the agreement, Korea's current 30-percent tariff on grapefruit will be phased-out in 5 years equal annual installments.

HSK 10	Description	Base Rate	2012	2013	2014	2015	2016
0805400000	Grapefruit	30%	24%	18%	12%	6	0

U.S. grapefruit will enter the Korean market duty free in 2016.

8. Pomegranates

Market Overview: In recent years, the United States gained a 97 percent market share of imported pomegranates in Korea as a result of a devastating freeze and consecutive bad crops in Iran, Korea's previous top supplier. U.S. exporters seized this opportunity by providing quality fruit which Korean importers prefer because the U.S. fruit is more uniform and consistent in color, shape and size than other origin imports. Pomegranates are very popular in Korea because of their purported health benefits and supply is not always sufficient to meet demand. Korean consumers remain health conscious and on the lookout for health foods and foods with functional values. Mass media advertising and internet bloggers help promote frenzied consumption of the latest health food or functional product.

Korean Imports of Pomegranates and Products

Country	2011		2012		2013	
	\$1,000	MT	\$1,000	MT	\$1,000	MT
World	14,460	6,739	20,078	8,823	28,818	13,823
United States	14,044	6,585	19,410	8,702	27,630	13,596
Vietnam	357	97	174	82	567	188
Iran	59	57	0	0	0	0
Others	0	0	494	39	621	39

Source: Global Trade Atlas, HS 0810 90 9000, Other

Tariff Phase-Out Schedule under KORUS FTA :

Under the Agreement, Korea's current 45-percent tariff on pomegranates will be phased-out in equal annual installments over 10 years and U.S. pomegranates will enter duty free beginning in year 10 of the Agreement.

HSK 10	Description (Korea)	Base Rate (%)	2012	2013	2014	2015	2016	2017	2018	2019
HSK 0810909000	Pomegranates	45	40.5	36	31.5	27	22.5	18	13.5	9

SECTION IV: OTHER EXPORT INFORMATION

1. Export Requirements:

Please see APHIS' website at

(http://www.aphis.usda.gov/import_export/plants/plant_exports/index.shtml) for any phytosanitary requirements for shipping U.S. fresh fruits to Korea.

2.Importer List:

You may request a list of Korean buyers which is available from ATO Seoul upon request.

The lists are based on the industry contact database updated by the offices regularly. Korean importers in general are actively seeking new business opportunities with foreign suppliers and would willingly provide in-depth market intelligence if they are interested in the supplier's product or business offer.

3.Market Information:

You may want to visit ATO Seoul website (www.atoseoul.com) for various information about the Korean market, including:

- 1) Market Reports: particularly Exporter Guide, FAIRS Report, Export Certificate Report, Retail Food Sector Report, and HRI Food Service Sector Report are recommended to new-to-market suppliers.
- 2) Korea's Agricultural Import Statistics: it offers import trends by four digit HS code, updated monthly.
- 3) KORUS FTA Product Briefs: we have short briefs on over 45 "best prospect" products.

4.Suggested Marketing Tools:

- a) 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 the company/product, contact info, and a couple of graphic images (logos or product photos). Next issue is published in March 2014 and the article input due is March 15.

b) I would also like to bring your attention to the Seoul Food & Hotel (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 13-16, 2014. There will be a sizable U.S. pavilion in the show put together by various U.S. agricultural organizations including USDA cooperators, 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).

c) Please also note that State Regional Trade Groups (SRTG) offer various export market development programs including outbound delegations of suppliers to Korea for match-making meetings. Please contact the SRTG of your region for more information about upcoming programs:

(1) 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: janet@wusata.org

Website: www.wusata.org

(2) Food Export Association of the Midwest USA

309 W. Washington St., Suite 600

Chicago, Illinois 60606

Telephone: 312-334-9200 Fax: 312 334-9230

E-mail: thamilton@foodexport.org

Website: www.foodexport.org

(3) 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

(4) 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

SECTION V: Key Contacts and Further Information

For more information, please contact the U.S. Agricultural Trade Office,
U.S. Embassy Seoul, Korea

Telephone: 82-2-397-4188
Email: atoseoul@fas.usda.gov
Website: www.atoseoul.com

Fax: 82-2-720-7921,
