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Date: 6/23/2014

GAIN Report Number: KS1427

Korea - Republic of

Post: Seoul ATO

Honey Market Brief

Report Categories:

Honey

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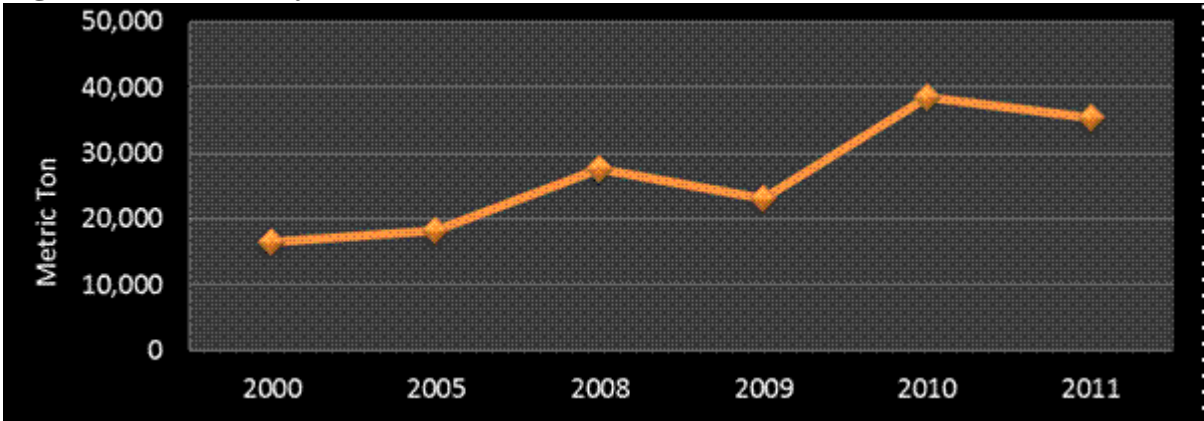
Report Highlights:

Despite the high trade barrier, South Korean consumers maintain strong demand for imported honey for quality, value and diversity. Korea's natural honey imports amounted to \$7.6 million in 2013 and the United States remained the leading supplier by accounting for 46 percent of the imports. The Korea-United States Free Trade Agreement (KORUS FTA) has established zero-tariff import quota on American honey. As a result, Korea's honey imports from the United States are expected to continue a solid growth in the coming years.

General Information:
Section I: Market Overview

Natural honey is an important industry in South Korean agriculture. Korean honey farms produce about 35,000 metric tons of honey each year which accounts for about 99 percent of all honey consumed in the market. The Korean government currently maintains a high trade barrier on honey imports through its Minimum Market Access (MMA) quota program that was established in 1995 under the Uruguay Round/WTO agreement. The MMA quota is currently set at 420 metric tons a year. Products imported within the quota are subject to a 20 percent import tariff, whereas imports outside the quota are subject to a prohibitive 243 percent tariff (or 1,864 won/kg, whichever higher is applied).

Figure 1: Local Honey Production in Korea

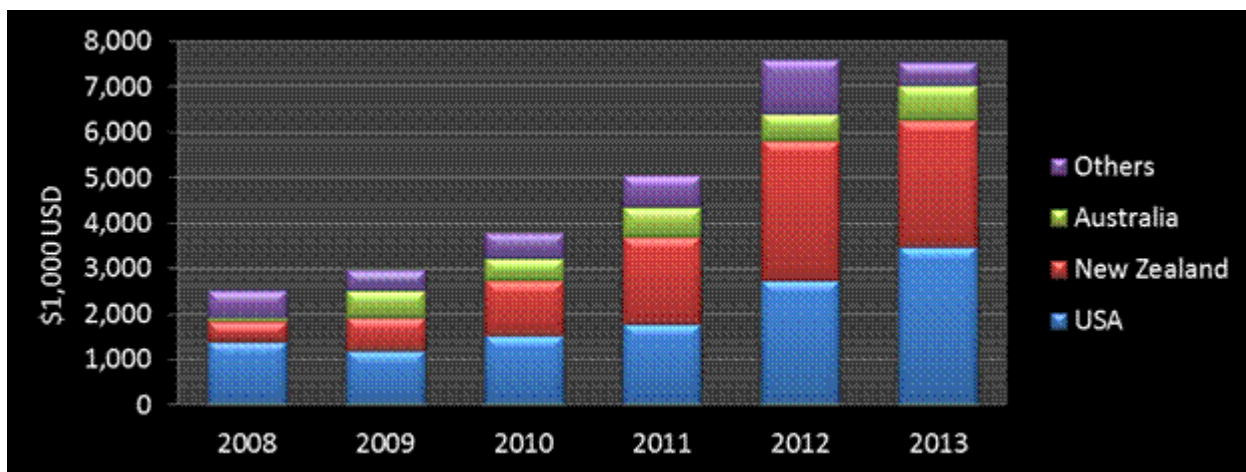


Source: Korea Ministry of Agriculture, Food and Rural Affairs

However, Korean consumers' increased demand for value, quality and diversity product has generated a solid growth of honey imports from foreign countries over the years. In particular, a series of free trade agreements implemented in recent years with major trading partners, including the United States has established zero-tariff FTA import quota on honey. In particular, the zero-tariff quota that Korea established with the United States in 2012 under the KORUS FTA is structured to increase continuously in the coming years.

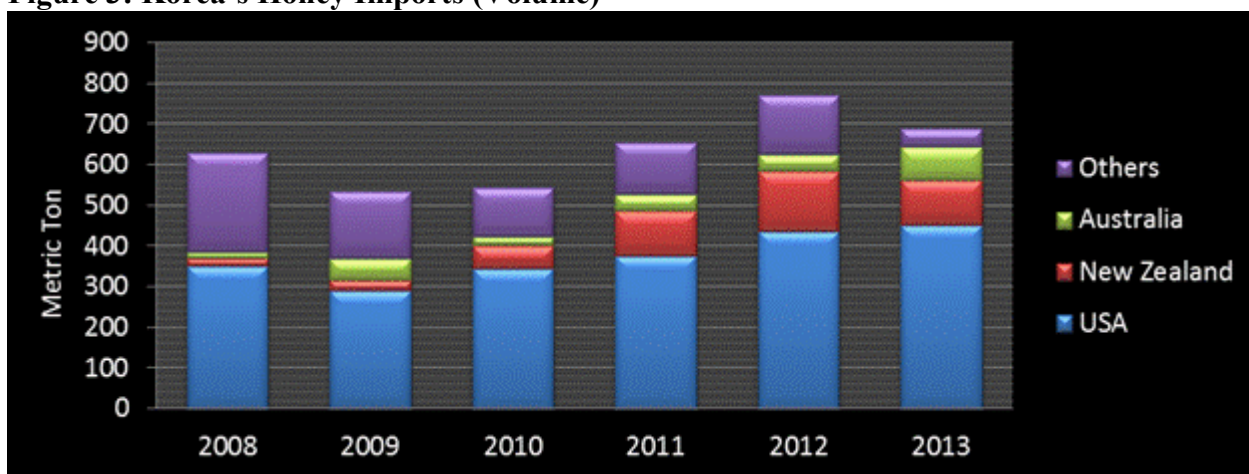
Korea's honey imports totaled \$7.6 million (or 689 metric tons) in 2013, slightly down from the previous year because of good harvest of local honey under warmer weather as well as weak consumer spending on specialty foods under slowed down Korean economy. On the other hand, Korea's honey imports from the United States in 2013 amounted to \$3.5 million (or 451 metric tons), up 27 percent from the previous year partly due to the zero-tariff FTA import quota. American honey accounted for 46 percent of Korea's honey imports by value or 65 percent by volume. Although New Zealand and Australia presents strong competition for premium honey market, American honey is expected to remain the leading imported honey in Korea in the coming years.

Figure 2: Korea's Honey Imports (Value)



Source: Korea Trade Information Service (KOTIS, www.kita.net)

Figure 3: Korea's Honey Imports (Volume)



Source: Korea Trade Information Service (KOTIS, www.kita.net)

Section II: Competition

1. Local Honey

Over 70 percent of the land in Korea is mountainous terrain and there are over 140 flowering trees and plants growing in the country, which provides fair quality nesting environment for honey bees. There were over 19,000 bee keeping farms in Korea that produced 35,310 metric tons of honey from 1.5 million bee hives in 2011.

However, the number of beekeeping farms in Korea has declined sharply over the years as many of the small-scale, family-operated farms quit the business. On the other hand, the number of larger-scale farms that keeps 100 hives or more has remained relatively steady. In addition, industry data indicates that those farms that keep indigenous native bees for premium quality honey have sharply declined in

number as the mainstream farms in the industry have switched to foreign variety bees introduced from western countries for higher production. As a result, production volume of local honey has seen a significant growth since early 2000's.

Table 1: Domestic Honey Production in Korea

Year	2000	2005	2008	2009	2010	2011
Production Value (Billion Won*)	133.1	192.0	N/A	N/A	433.2	362.9
Production Volume (Metric Tons)	16,509	18,248	27,585	23,028	38,505	35,310
Unit Price (Won/kg)	8,062	10,522	N/A	N/A	11,250	10,278

Source: Korea Ministry of Agriculture, Food and Rural Affairs

Note*: \$1 = 1,050 won as of June 1, 2014.

Table 2: Number of Beekeeping Farms and Hives in Korea

	2000	2005	2007	2008	2009	2010	2011
Total Hives	1,240,000	2,090,000	1,890,000	1,859,000	1,989,341	1,698,227	1,531,609
Total Farms	40,774	41,039	36,744	32,927	35,358	25,042	19,528
Farms with less than 50 hives	33,687	29,762	26,465	22,823	N/A	N/A	N/A
Farms with 50 to 99 hives	3,414	4,491	4,129	3,795	N/A	N/A	N/A
Farms with 100 or more hives	3,678	6,786	6,150	6,309	N/A	N/A	N/A
Farms Keeping Native Bees	18,658	17,432	N/A	13,883	17,373	8,353	4,012
Farms Keeping Foreign Bees	22,116	23,607	N/A	20,219	17,985	16,689	15,516

Source: Korea Beekeeping Association (www.korapis.or.kr)

2. Imported Honey

Marketers point out that Korean consumers maintain a strong demand for imported honey for value, quality and diversity. Local honey in general is retailed as specialty food at a premium price. For

example, the regular quality honey by the leading local processor, Dongsuh Food, is retailed at around \$20 per kilogram. Due to cold and long winter months as well as long rainy season in the summer, part of the local honey production relies on sugar feed. In addition, local consumers maintain concerns about use of agricultural chemicals and livestock medicines over safety limits in local bee farms. The variety of honey produced in Korea is rather limited as indicated by the fact that about two thirds of the local honey production is based on Acacia flowers.

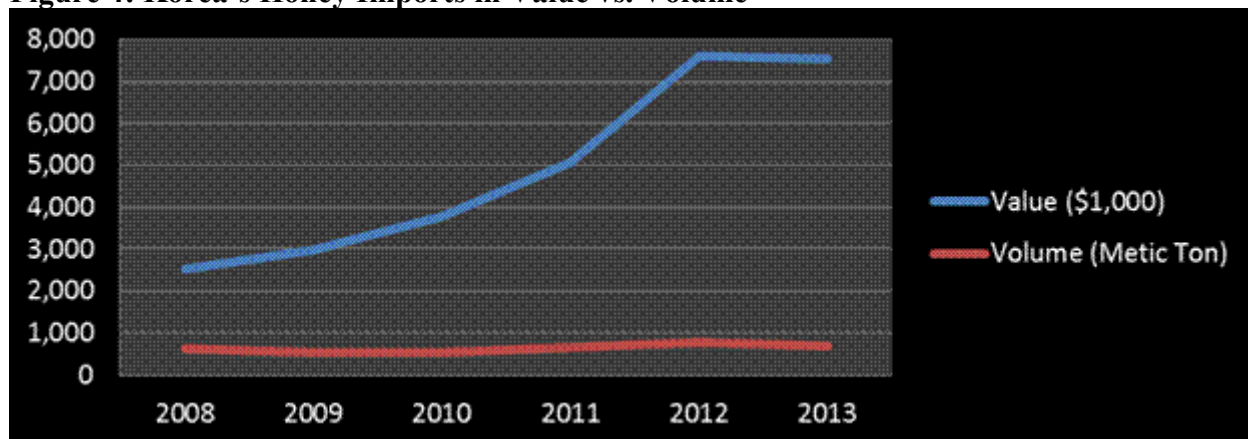
Because of the MMA quota barrier, Korea's annual honey imports have been limited to around 600 to 700 metric tons. However, it is notable that Korea's honey imports have seen much higher growth in terms of value compared to volume. Between 2008 and 2013, Korea's honey imports in terms of value increased 198 percent whereas volume increased 10 percent. The average import price of honey went up from \$4/kg in 2008 to \$11/kg in 2013, indicating that Korean consumer's demand for imported honey has shifted to higher quality products.

Table 3: Korea's Honey Imports (\$1,000, Metric Ton)

	2008		2009		2010		2011		2012		2013	
	Val ue	Wei ght	Val ue	Wei ght	Val ue	Wei ght	Val ue	Wei ght	Val ue	Wei ght	Val ue	Wei ght
Total	2,535	627	2,980	535	3,794	543	5,051	653	7,596	771	7,552	689
USA	1,402	351	1,209	289	1,542	345	1,804	375	2,738	437	3,485	451
New Zealand	446	18	723	28	1,204	55	1,914	111	3,082	146	2,794	110
Australia	72	15	604	54	491	22	635	40	596	41	760	83
Others	615	243	444	164	557	121	698	128	1,180	146	513	45

Source: Korea Trade Information Service (KOTIS, www.kita.net)

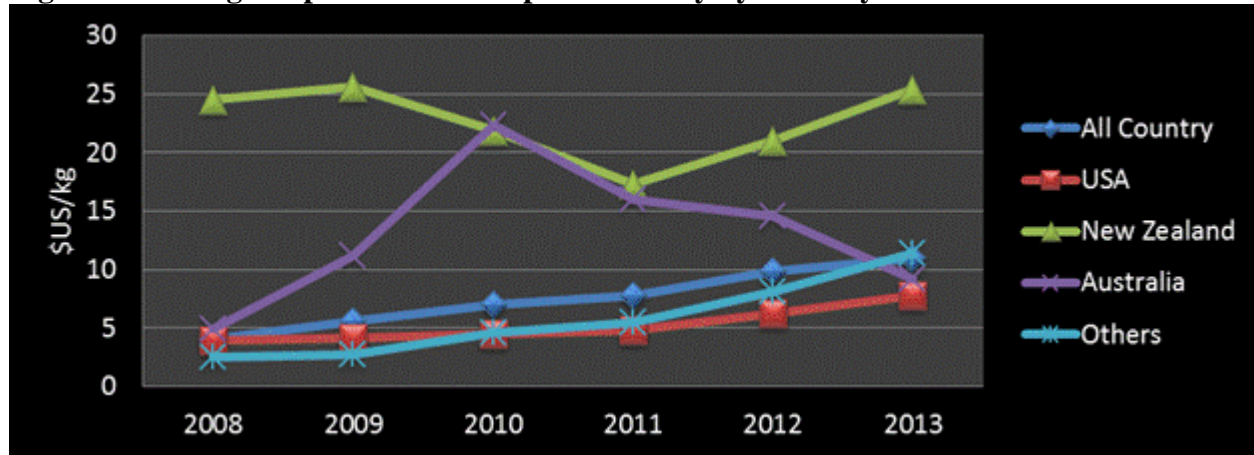
Figure 4: Korea's Honey Imports in Value vs. Volume



Source: Korea Trade Information Service (KOTIS, www.kita.net)

Marketers point out that the United States has emerged as the leading source of value-oriented imported honey because large-scale retail store chains in Korea have been using imported American honey as a loss leader product to attract consumer traffic in recent years. On the other hand, other countries, like New Zealand in particular, have focused more on marketing premium quality products in Korea by promoting nutritional and health benefit of their specialty honey such as Manuka honey.

Figure 5: Average Import Price of Imported Honey by Country



Source: Korea Trade Information Service (KOTIS, www.kita.net)

Section III: Market Access

1. Import Quota & Tariff

Below table describes import quota and subject tariffs set on imported honey from the United States.

Table 4: WTO MMA Quota and KORUS FTA Quota on Imported Honey from the United States

	WTO MMA Quota	KORUS FTA Quota
HSK Code	0409-00-0000	0409-00-0000
In-Quota / Tariff	420 metric tons / 20%	212 metric tons / zero percent
Out-of-Quota Tariff	243% or 1,864 won/kg, whichever higher is applied	Subject to WTO MMA Quota
Administration Agency	National Agricultural Cooperative Federation (NACF)	Korea Agro-Fishery Marketing Corporation (aT)
Quota Allocation Method	Import license auctions	Import license auctions (December, March, June, September)

The import quota is awarded in import license auctions to importers who offer higher amount of monetary contribution to National Agriculture Funds. Technically, the auction system is structured to impose additional monetary burden to the importers in addition to the import tariff to obtain the import quota. As a result, a small number of aggressive importers, particularly local retail store chains that use imported honey as a loss leader product, have repeatedly won a majority of the quota in recent

years. While over two-thirds of the imported honey is distributed to retail stores, food processors and restaurants also remain steady users of imported honey.

It is notable that the zero-tariff KORUS FTA quota on natural honey is structured to increase continuously in the coming years. Below table describes the schedule of Korea's import quota for American honey under the KORUS FTA.

Table 5: Korean Quota Schedule on Imported Honey from the United States under KORUS FTA

Year	Quantity (Metric Ton)
1 (2012)	200
2 (2013)	206
3 (2014)	212
4 (2015)	219
5 (2016)	225
After year 5	The in-quota quantity increases by 3% per year, compounded annually.

Source: <http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta/final-text>

As of June 2014, European Union (EU) is the only trading partner except for the United States that Korea has implemented free trade agreement with zero-tariff import quota on natural honey. However, the in-quota quantity provided to EU honey is much smaller and is subject to a set ceiling down the road.

Table 6: Korean Quota Schedule on Imported Honey from EU under KOEU FTA

Year	1	2	3	4	5	6	7	8	9
Metric Ton	50	50	51	53	54	56	57	59	61
Year	10	11	12	13	14	15	16	After Year 16	
Metric Ton	63	65	67	69	71	73	75	75	

Source: Korea Customs and Trade Development Institute (www.custradev.com)

2. Korean Food Safety Standards on Imported Honey

Imported food and agricultural products must meet the Korean regulations and standards to enter the market. Details of the Korean regulations and standards, including import food safety inspections and Korean language labeling requirement, can be found in [the FAIRS Country Report](#) published by the Office of the Agricultural Affairs/the U.S. Embassy Seoul (available from www.atoseoul.com or www.fas.usda.gov).

Korean Food Code does not allow natural honey to be added with sugars, flavoring agents, or other food additives. Below table summarizes Korean standards on natural honey:

Table 7: Korean Standards on Natural Honey

Product	Honey Comb	Honey
Water Content	23.0% or Less	20.0% or Less
Non-soluble Matter	Not specified	0.5% or Less

Acidity	Not specified	40.0 meq/kg or Less
Invert Sugar	50.0% or More	60.0% or More
Sucrose	15.0% or Less	7.0% or Less
Hydroxy Metyl Furfural (HMF)	80.0 mg/kg or Less	80.0 mg/kg or Less
Tar coloring agent	Not specified	Not detected
Artificial Sweetener	Not specified	Not detected
Isomerase (High fructose corn syrup)	Not specified	Not detected

Source: Korea Food Code, Ministry of Food & Drug Safety

Korean Food Code also regulates use of livestock medicines and agricultural chemicals in natural honey production. Below is Maximum Residue Level (MRL) set on livestock medicines and agricultural chemicals that are allowed to be used in honey farms.

Table 8: Korean MRL Standards on livestock medicine and agricultural chemical in Natural Honey

Name	MRL
Neomycin (Antibiotic)	0.1 mg/kg
Oxytetracycline (Antibiotic)	0.3 mg/kg
Dihydrostreptomycin/Streptomycin (Antibiotic)	Not detected
Amitraz (insecticide)	0.2 mg/kg
Coumaphos (insecticide)	0.1 mg/kg
Flumethrin (insecticide)	0.01 mg/kg
Fluvalinate (insecticide)	0.05 mg/kg
Cymiazole (anthelminitics)	1.0 mg/kg

Source: Korea Food Code, Ministry of Food & Drug Safety

Korean food safety authority also monitors presence of toxins in natural honey. Grayanotoxin III and Tutin should not be detected.

3. Suggested Market Entry Tools

American honey suppliers who intend to enter the Korean market should first develop relationships with those Korean importers who have acquired or plan to acquire import license (quota) for the given year. The list of importers who have acquired the KORUS FTA quota is currently available from the agency that administers the auctions through public notices (www.at.or.kr/article/apko363600/list.action). However, the list of importers who have acquired the WTO MMA quota is not disclosed. Contact listings of potential honey importers are available from ATO Seoul upon request.

Space in the ‘New American Suppliers/Products Looking for Korean Import Partners’ section in ATO Seoul’s quarterly [e-newsletter](#), which is sent out to over 2,500 industry contacts in Korea, is provided to American suppliers free of charge upon request.

Established trade shows remain one of the most efficient tools to develop contacts with Korean

importers. Seoul Food & Hotel (www.seoulfoodnhotel.co.kr) is the leading food trade show in Korea that provides a venue for new-to-market American suppliers to develop contacts with a large number of Korean distributors and buyers. This is the only show in Korea that is officially endorsed and supported by USDA/FAS. The show schedule for 2015 is May 12-15, 2015. There will be a sizable U.S. pavilion in the show put together by various U.S. agricultural industries and organizations including USDA cooperators, state regional trade groups (SRTG) and state departments of agriculture. For registration information, please contact the U.S. pavilion manager, Oak Overseas (Russell Hood, Rhodd@oakoverseas.com). Other international food trade shows that attract a sizable number of Korean buyers include FoodEx Japan (www3.jma.or.jp/foodex/en/), Natural Products Expo West (www.expowest.com), Fancy Food Show (www.specialtyfood.com), SIAL France (www.sialparis.com) and ANUGA Germany (www.anuga.com).

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

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
Website: www.wusata.org

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

Section V: Contacts for Further Information

1. For information about the Korean agricultural market and regulations, please contact:

U.S. Agricultural Trade Office Seoul (ATO)
Korean Address: Room 303, Leema Building, 146-1, Susong-dong, Jongro-gu, 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

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 Country 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 tells import trends by four digit HS code, updated monthly.
- 3) [KORUS FTA Product Briefs](#): we have short briefs on over 45 "best prospect" products.

Agricultural Affairs Office, U.S. Embassy Seoul (AAO)

Korean Address: U.S. Embassy, 82, Sejong-ro, Jongro-gu, 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

2. For further information about sanitary/export certificate requirements, please contact:

U.S. Animal and Plant Health Inspection Service Seoul (APHIS)

Korean Address: Room 303, Leema Building, 146-1, Susong-dong, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-APHIS, APO, AP 96205-5550

Telephone: +82-2 725-5495

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