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Korea - Republic of

Food Processing Ingredients

Food Processing Ingredients Update - ATO Seoul

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Report Highlights:
The United States was the largest supplier of agricultural, food, fishery and forestry products to Korea, with a 20 percent market share in 2013. 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 4,400 agriculture/food processing businesses (based on over 10 employees companies) and about 179,000 workers in Korea, which generated an estimate of $75 billion of cash register sales in 2012, up 7 percent from the previous year. Korea is a major importer of raw materials and ingredients for food processing. U.S. market share should continue to increase the Korea-U.S. Free Trade Agreement which is expected to generate more opportunities for U.S. food processing ingredients.

Post:
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Author Defined:

SECTION I. MARKET SUMMARY

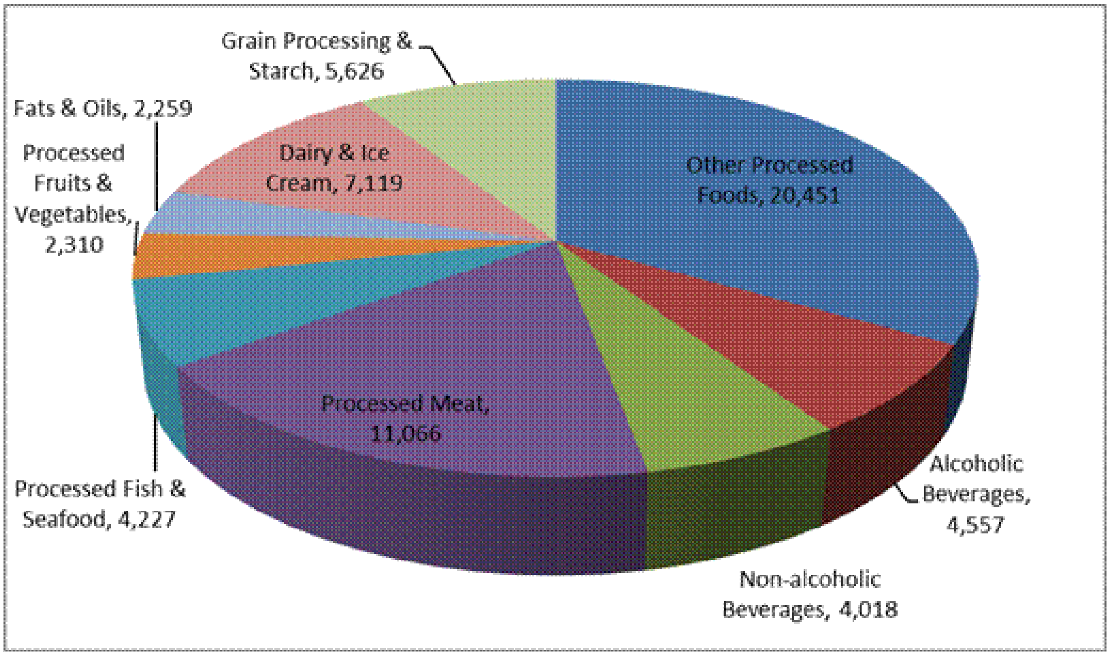
Korea's imports of agricultural and food products from the world for 2014 are forecast to total $33.7 billion, up 8 percent from the previous year. Imports from the United States are forecast to grow 35 percent to nearly $8.0 billion mainly due to strong performance of basic commodity products (corn in particular) and consumer-oriented products. As a result, the United States should remain the leading agricultural supplier to Korea with over 25 percent market share in 2014.

Korea maintains a strong processing industry that manufactures a wide variety of processed agricultural and food products. There were over 4,400 agriculture/food processing businesses (based on over 10 employees companies) and about 179,000 workers in Korea, which generated an estimate of $75 billion of cash register sales in 2012, up 7 percent from the previous year.

Korea is the fifth largest export market for American agriculture. Korea by nature relies heavily on imports to fulfill its food and agricultural needs. Korea is about the size of the state of Indiana and over 70 percent of its land space is under mountainous terrain, not practical for commercial farming. Furthermore, a majority of the limited farm land is dedicated to rice production. Its population of 50 million makes Korea the third most densely populated country in the world among the countries with over 20 million in population. To make the situation even worse, over 90 percent of the Koreans live in urban areas that account for 17 percent of the land space. In addition, over 50 percent of the population lives within and in the direct vicinity of the capital city, Seoul. As a result, agricultural sector is expected to contribute less to the Korean economy in the coming years.

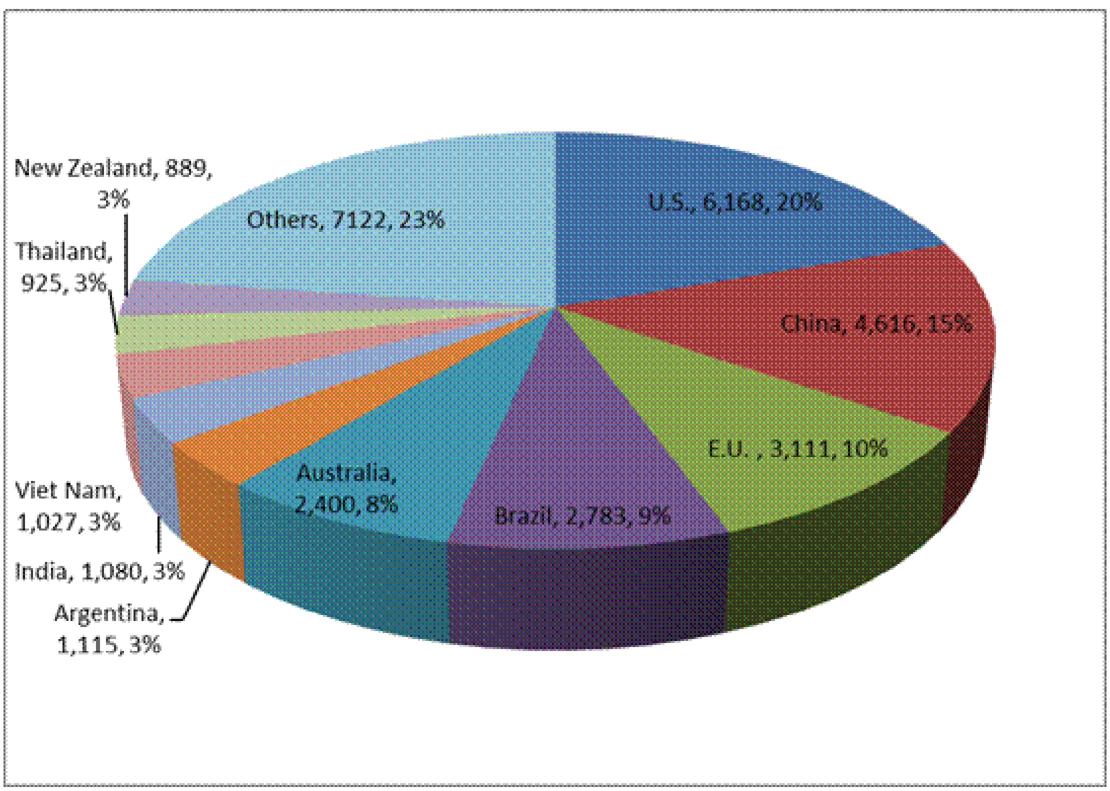
Table 1: Output of Food Processing Industry by Sector in 2011

(Total output: $61,633 Million, Unit: $Million)



Source: Agriculture, Food and Rural Affairs Statistics Yearbook 2013
by Ministry of Ag, Food and Rural Affairs

Table 2: Korean Agriculture Imports in 2013 by Country
(Total Imports: $31,236 Million, Unit: $ 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 20 percent market share in 2013, followed by China with 14.7 percent, the EU with 10 percent, percent, Brazil with 8.9 percent and Australia with 7.7 percent. These five countries accounted for about 61 percent of the total Korean agricultural, food, and fishery and forestry product imports in 2013.

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

Advantages	Challenges
Local supply of agricultural products is limited.	Onerous inspection/customs clearance procedures.
U.S. food is perceived as equal or superior quality relative to competitors.	Changes in food regulations compounded by language barrier.
Health consciousness and increasing affluence of Koreans are shifting consumer focus from price to quality.	Food safety concerns. Non-acceptance of biotechnology. BSE issue is still lingering.
Continued tariff reductions under KORUS FTA will make U.S. products more competitive with other foreign suppliers.	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.

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.

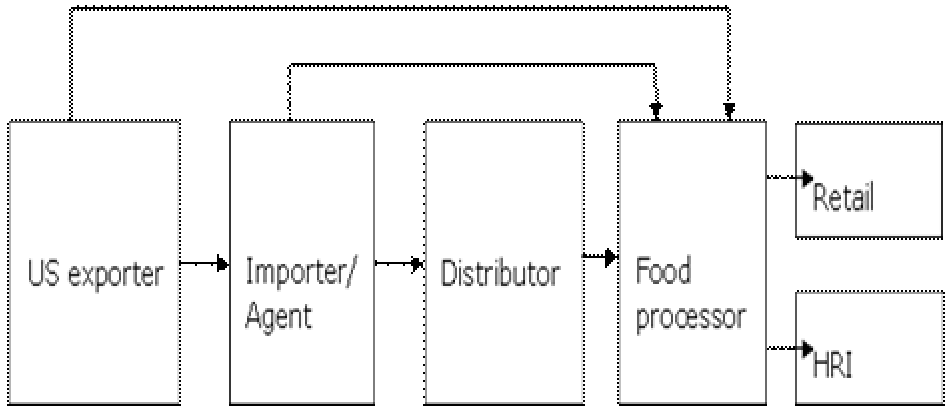
Currently, there are three shows supported by ATO Seoul in Korea. **The Food & Hotel Korea 2015** (www.oakoverseas.com) will be held in Ilsan in the suburbs of Seoul, May 12-15, 2015. The show presents an excellent chance to explore possible market opportunities in Korea. This show is a trade only show 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 2015"** (www.bisfe.com / www.atoseoul.com) which will be held in Busan, the second largest city in Korea, in the middle of October 29-31 2015. The other show is the **Café Show 2015** (www.cafeshow.co.kr) will be held in COEX in Seoul, November 12-15 2015.

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.

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 1,730,000 hectares in 2012, accounting for about 17.3 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 $70 billion of cash register sales in 2011, up 10 percent from the previous year. Korea maintains a strong processing industry that manufactures a wide variety of processed agricultural and food products.

D. FOOD PROCESSING SECTOR

Korea maintains a strong processing industry that manufactures a wide variety of processed food products. There were over 4,400 food processing companies (based on over 10 employees companies) in Korea, which generated $75 billion of cash register sales in 2012, up 7 percent from the previous year.

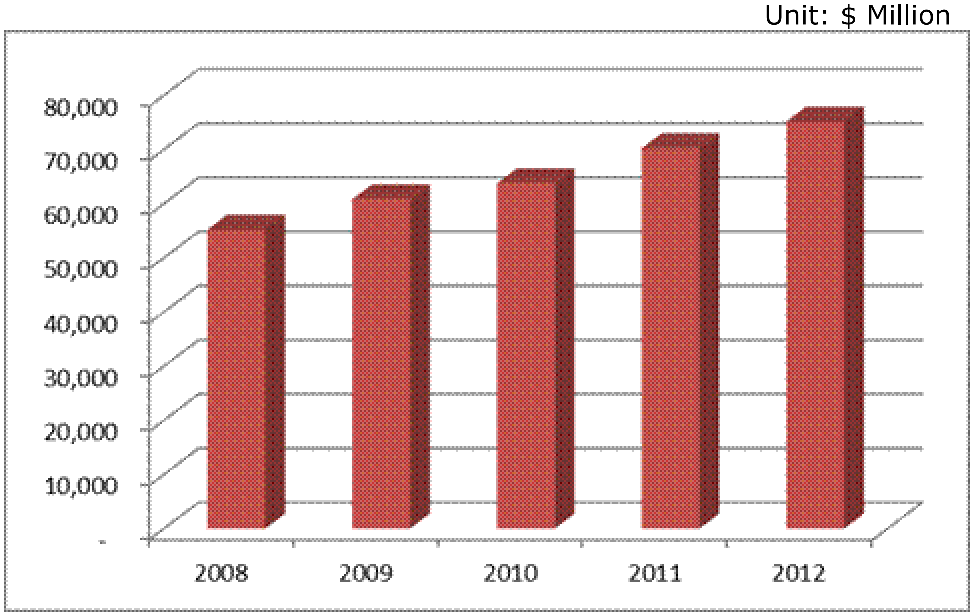
Table 5: Food Processing Industry Scale
Unit: Number / $ Million

	2000	2006	2008	2010	2011	CAGR ('00/'11)
Number of Industries	3,431	4,057	4,061	4,269	4,360	2.2
Number of Employees	158,325	156,967	160,584	171,119	176,729	1.0
Shipping Value	$34,072 Million	$44,381 M	$55,212M	$63,725M	$70,208M	6.8%

Source: Korea National Statistical Office (www.kosis.kr), Mining Energy Research 2010, Korea Food Yearbook 2013-2014

1. Based on more than 10 employees' companies

Table 6: Annual Sales of Food Processing Industry in Korea by Year
Unit: $ Million



Source: Korea National Statistics Office 2014

Table 7: Top 20 Products of Korean Food Processing Industry, 2012

Rank	Product	Production	Sales*
1	Carbonated Beverage	1,289,698 MT	$1,413 Million
2	Instant Noodle in Plastic Bag	615,581 MT	$1,253 M
3	Wheat Flour	1,695,576 MT	$1,116 M

4	Other Processed Food	553,091 MT	$1,065 M
5	Sauces	341,673 MT	$1,004M
6	Mixed Beverages	787,068 MT	$968M
7	Biscuit Snacks	147,803 MT	$949M
8	Processed Seafood	189,665 MT	$930M
9	Bread	285,368 MT	$910M
10	Table Sugar	1,283,122 MT	$909M
11	Chocolate Products	90,777 MT	$859M
12	Seasoned Processed Food	83,964 MT	$800M
13	Cakes	83,964 MT	$783M
14	Cabbage Kimchi	328,488 MT	$698M
15	Soybean Oil	411,732 MT	$660M
16	Instant Noodle in Self-serving Container	226,250 MT	$602M
17	Processed Grains	392,814 MT	$554M
18	Instant Coffee	268,000 MT	$523M
19	Instant Takeout Meals	459,163 MT	$550M
20	Coffee Beverage	292,127 MT	$518M

Source: Food & Food Additive Production Data, Ministry of Food & Drug Administration
* Note: Sales figures do not include exports

Table 8: List of Top 10 Food Processing Companies in Korea, 2012

Rank	Name of Company	Annual Sales	Main Products
1	CJ Cheiljedang	$2,565 Million	Flour, Noodles, Sugar, Sauces, Flavors, Fat & Oils, Ready-to-serve food, Snacks, Beverages
2	Nongshim	$2,0712Million	Instant noodles, Snacks, Beverages
3	Lotte Chilsung	$1,550 Million	Beverages
4	Lotte Confectionary	$1,142 Million	Snacks, Confectioneries
5	Coca-Cola Beverage	$950 Million	Beverages
6	Daesang	$813 Million	Noodles, Sauces, Flavors, Fat & Oils, Ready-to-serve food, Beverages
7	Orion	$779 Million	Snacks, Confectioneries
8	Ottoogi	$721 Million	Sauces, Oils, Instant noodles, Ready-to-serve food
9	Haitai	$714 Million	Bakery products
10	Paris Croissant	$590 Million	Bakery products

Source: Food & Food Additive Production Data, Ministry of Food & Drug Administration

The Korean processing industry relies heavily on imports for raw materials, intermediate ingredients and additives because of limited local supply. As a result, the Korean food processing industry is an outstanding buyer for almost all types of agricultural products for processing use from basic commodities such as corn and wheat to intermediate ingredients such as whey powder and fruit juice concentrate to food additives such as flavors and coloring agents. About 10 percent of overall production by Korean food processors is currently exported to foreign markets. As Korean processors are making heavy investments to expand their exports, the amount of imported ingredients needed by

Korean processors is likely to show steady increase in the coming years. Korean government has also been providing the industry with a financial and promotional support under "globalization of Korean Food" initiative.

It is notable that the local processing industry is populated by a large number of small to medium size businesses as indicated by the fact that only 133 of the 23,929 food processing companies had over 200 employees as of 2012.

Table 9: Breakdown of Food Processing Companies by Employment Size (2012)

Number of Employees	Number of Companies
Less than 10	19,846
10 – Less than 50	3,618
50 – Less than 200	692
Over 200	133
Total	23,929

Source: Food & Food Additive Production Data, Ministry of Food & Drug Administration

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

There was an agreement for Korea-US Organic Equivalency Agreement on behalf of processed organic products on July 1, 2014 as well as the same day of effectiveness. You may find for further information on the Agreement : http://www.ams.usda.gov/AMSv1.0/getfile?dDocName=STELPRDC5108176

Please let us know if you have any specific questions on any issues of shipping organic products to Korea under the new rule.

Table 11:
Imports of Organic Processed & Unprocessed Agricultural Products by Year
Unit: Metric Tons (MT), Million (M)

Year		2008	2009	2010 (from U.S.)	2011 (from U.S.)	2012 (from U.S.)	2013 (from U.S.)
Imports Cases	Un processed	250	286	263	376 (45)	388 (58)	357 (80)
	Processed	3.629	2,613	3,728	3,798 (1,246)	4,137 (1,210)	3,820 (1,327)
	Total	3,879	2,899	3,991 (1,103)	4,299 (1,307)	4,525 (1,268)	4,177 (1,407)
Imports Weight (MT)	Un processed	7,300	5,600	7,060	8,195 (361)	9,653 (333)	7,974 (160)
	Processed	18,100	13,700	18,413	20,646 (3,457)	19,903 (4,099)	21,589 (3,273)
	Total	25,400	19,300	25,473 (3,417)	28,841 (3,818)	29,556 (4,432)	29,563 (3,433)
Imports Value ($ Mil)	Un processed	$7.4M	$7.6M	$10.7 (1.6)	$13.8 (2.1)	14.5 (1.7)	16.8 (1.8)
	Processed	$49.3M	$28.2M	$38.7 (11.4)	50.7 (13.6)	54.5 (16.5)	61.8 (15.6)
	Total	$56.7M	$35.8M	$39 (13)	64.5 (15.7)	69.0 (18.2)	78.6 (17.4)

Source: Korea Food & Drug Administration 2014
Note: Based on CIF Price. In general, the retail market price is 2.5-3 times higher than the CIF price.

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.

Table 12: Growth Rate of Food & Beverage Sales Value by Products, 2011-2012

Category	Growth Rate of Sales Value	
	2011	2012
Food Manufacturing Industry	13.55%	4.21%
Food	12.35	8.52
-Meat, Fruits, Vegetables & Fat Processing	11.72	3.45
-Dairy Products and edible ice products	11.12	3.83
-Processed Grains,	13.30	15.04

Starch Products, Feed and Mixed Food Products		
-Other Foods	12.65	10.46
Beverage	13.76	18.12
-Alcoholic Beverage	22.57	22.94
-Non Alcoholic Beverage and Ice	6.02%	13.98%

Source: Food Distribution Yearbook 2014

Table 13: Sales Value of Ice Cream during 2012-2013 (from Four Largest Companies)

Category	**2012**	**2013**	**Growth Rate**
Ice Cream Bar	$420 Million	$390	-7.1%
Cone Ice Cream	$220 M	$210	-4.5%
Cup Ice Cream	$185 M	$186	0.5%
Tube Ice Cream	$190 M	$184	-3.2%
Home Package	$120 M	$120	-
Others	$25 M	$35	34.6%
Total	$1,160 M	$1,125	-3.1%

Source: Food Journal 2014

Food and drink retail internet purchases showed stronger performance than total internet retailing in 2013. While internet retailing continues health growth, the sales % of hypermarkets and supermarkets through their own internet shopping malls is increasing too. Hypermarkets and supermarkets put more effort into internet retailing due to government regulations restricting operating hours and days.

Table 14: Major Selling Products via On-Line

Unit: Percentage, %

Products	**2011**	**2012**
Clothes	27.9	27.0
Living Goods	23.2	24.3
Cosmetics	17.5	17.7
Foods	15.9	16.9
Electronics Goods	10.2	9.4
Others	5.3	4.6

Source: Korea Food Yearbook 2013-2014, Nielsen Consumer Panel, Nielsen Korean Click

Table 15: Food Processing Industry – Value Sales Estimates

Unit: $Million, %

Category	2000	2005	2008	2010	2011	CAGR* ('00/'11)
Processed Foods	$2,809 Million	3,667	4,715	5,760	6,163	7.4%

Meat&Processed Meat	380	583	735	1,048	1,106	10.2
Processed Seafood	211	260	307	432	423	6.5
Fruit&Vegetable	84	134	184	220	231	9.6
Animal&Vegetable Oil	129	120	246	101	226	5.3
Dairy products & Edible ice products	402	558	585	620	712	5.3
Processed grains & starch products	243	311	427	492	566	8.0
Others	992	1,240	1,443	1,837	1,998	6.6
Animal Feed & Processed Foods	368	461	789	833	905	8.5
Beverages	598	700	806	785	858	3.3
Alcoholic Beverage	324	379	457	392	456	3.1
Non-alcoholic Beverage	274	321	349	368	402	3.6
Total	$3,407Million	$4,367	5,521	6,545	7,021	6.8%

Source: Korea National Statistical Office(www.kosis.kr), Mining Energy Research, 2010,
Korea Food Year Book 2013-2014

1. Industry, more than 20 employees
2. Others include rice cake, bakery, sugar, noodles, spices etc.

*: CAGR: Compound Average Growth Rate

Table 16: Major Products of Processed Food & Beverage in 2011

	Based on Number of Industries	**Number of Industries**	**Shipping Value**		**Based on Shipping Value**	**Number of Industries**	**Shipping Value**
1	Kimchi	210	$1,000 Million	1	Mixed Feed (for Cows)	113	$3,739 Million
2	Seaweed	180	$618 M	2	Packaged Meat	173	$2,549 M
3	Packaged Meat	173	$2,549 M	3	Drinking Milk	42	$2,446 M
4	Other Processed Meats	132	$605 M	4	Mixed Feed (for Pig)	58	$2,216 M
5	Other Mixed Spices	130	$935 M	5	Chicken Meat	37	$2,051 M
6	Boxed Lunch	120	$384 M	6	Beer	7	$1,960 M
7	Other Bakery	113	$1,257 M	7	Rice (Polished)	96	$1,640 M
8	Mixed Feed	113	$3,739 M	8	Ramen	12	$1,575 M
9	Packaged Poultry	112	$729 M	9	Mixed Feed (for Chicken)	48	$1,487 M
10	Rice Cake	99	$236 M	10	Fermented Drinking Milk	49	$1,485 M

Source: Korea National Statistical Office (www.kosis.kr), Mining Energy Research 2010,
Korea Food Yearbook 2013-2014

1. Based on more than 10 employees' companies

SECTION VI.   KOREA'S AGRICULTURAL & FOOD IMPORTS

Agricultural & Food Import Statistics

Monthly updated statistics of Korea's agricultural and food imports, organized by 4-digit HS code based on the Korea Trade Information Service (KOTIS) database is available from the ATO Seoul's Internet home-page (www.atoseoul.com).

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 1.464 million metric tons in 2012, 873,000 metric tons (60 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 24.4 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.

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 in an 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.

Korea processed about 1.89 million tons of fish and seafood in 2012. 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 2012, 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.

In 2013, total Korean imports of seafood were $3.57 billion, down 2 percent from 2012 due to the worsened economy and reduced demand by food service industry and export business. However, imports of American seafood increased by 25 percent to $211 million making the United States the fourth largest supplier with a 5.9 percent market share. U.S. seafood is generally considered high quality and safe, but less price competitive when competing with other origins. Fish Surimi, Flatfish, Glass Eel, Alaska Pollack Roes, Monkfish, Skate, Hagfish, Cod, Atka Mackerel, etc. are some of the major species imported in large quantities from the United States.

Table 17: Korean Production of Processed Seafood

Year	Production (MT)	Value (Million K/Won)
2005	1,559,201	3,516,323
2006	1,546,784	3,779,162
2007	1,613,056	5,517,849
2008	1,766,528	6,642,033
2009	1,898,135	6,046,188
2010	1,815,286	6,875,258
2011	1,865,546	6,540,369
2012	1,885,437	7,770,232

Source: MOF Ocean & Fisheries Yearbook 2013

Korea imported $211 million of U.S. seafood in 2013, up 25 percent from $169 million in 2012, providing the United States with an increased market share of 5.9 percent. In Korea, U.S. seafood including aquaculture is generally considered high quality, but higher in price compared to that of competing countries. Until 2011 the United States has been the fifth largest exporter of seafood in Korean market following China, Russia, Vietnam and Japan but in 2012 Japan turned its rank over to the United States due to Korean consumers' withering demand for Japanese seafood products after the nuclear power plant incident. In 2013, the U.S. maintained its market position with a remarkably increased sales performance of its seafood products compared to that of year 2012.

The Korea Rural Economic Institute reported in its 2012 Food Balance Sheet that annual per capita seafood consumption in Korea was 54.9 Kg (fishery products and shellfish = 39.0 kg and seaweed = 15.9 kg) in 2012. The major seafood species that Koreans consumed are anchovy, shrimp, squid, tuna, Alaska Pollack, mackerels, yellow corvina, saury, hair tail, flat fish, monk fish, eel, rock fish and cod, etc. The success of Korean industry efforts to change consumer perceptions of fish (as a healthy alternative to red meat), to diversify fish products, to improve quality, and to develop processing technology will be key in expanding domestic demand.

Thanks to increased income and improved standards of living, seafood family restaurants are growing in popularity in Korea. They are expanding their business due to good business environment. Todai, Ocean Seafood, Bono-Bono, Seafood Shangrilla, Marisco, Makinochaya, Fisher's Market, Sea-n-More, Ell Bleu, Ocean Star, D' Maris, and Muscus are popular seafood family restaurants. These restaurants are using imported seafood as well as locally produced seafood.

Koreans eat fish in various states: fresh fish, chilled fish and lastly, frozen fish in the order of preference. Some fish are consumed raw ("Hoi", or "Sashimi"), and commands a price premium. Korean consumers assume fresh fish tastes better than frozen fish after cooking. Accordingly, fresh or chilled fish tend to be substantially more expensive than frozen fish.

As more and more women are working outside the home, the demand for convenience food has increased. Korean consumers are more attracted to precooked, prepared and preserved food available at supermarkets. In 2013, CJ (Cheil Jedang) Corporation launched a new canned product brand called "Alaska Salmon". The price of a can is 3,600 Korean Won for 135 grams and it can be converted to about $13.4 per pound. Even though the price is more than two times higher than those of the regular canned tunas, this 100 percent Natural Salmon product hit the market making $9.5 million of sales in 2013 with a market share of 68 percent. Stimulated by this successful launching of "Alaska Salmon" brand, competing canneries such as "Dongwon" and "Sajo" also introduced their canned salmon products taking 32 percent of the market share. CJ Corporation, the market leader, plans to diversify its canned salmon products by adding two or more new products in 2014.

Hotels and department stores generally use high quality seafood for which they charge a higher price and some of the five-star hotels and leading department stores have already done special promotions featuring U.S. seafood products such as lobsters and scallops commemorating the 1st and 2nd anniversaries of the KORUS FTA implementation.

However, the institutional feeding and food service sector generally uses cheaper food ingredients to reduce cost as much as possible to cope with the fierce competition in the sector. The most popular fish products in this market area include frozen flatfish, skate, croaker, Atka mackerel, Alaska Pollack roe and snow crab.

Table 18: Korean Seafood Production by Waters

(1,000 MT)

Year	Total	Adjacent Waters	Shallow Sea Aquaculture	Distant Waters	Inland Waters
2007	3,275	1,152	1,386	710	27
2008	3,361	1,285	1,381	666	29
2009	3,182	1,227	1,313	612	30
2010	3,111	1,133	1,355	592	31
2011	3,256	1,235	1,478	511	32
2012	3,183	1,091	1,489	575	28

Source: MOF Ocean & Fisheries Yearbook 2013

Table 19: Korean Seafood Production by Products

(1,000 M/T)

Year	Total	Fishes	Shell fish	Crustacean	Mollusks	Other aquatic animals	Seaweed

2007	3,275	1,330	555	124	432	23	811
2008	3,361	1,447	428	126	402	23	935
2009	3,182	1,424	420	132	312	24	870
2010	3,111	1,331	440	147	256	22	915
2011	3,256	1,355	467	130	269	28	1,007
2012	3,183	1,267	433	135	293	23	1,032

Source: MOF Ocean & Fisheries Yearbook 2013

Table 20: Korean Seafood Demand and Supply

(Unit: 1,000 M/T)

Total	Demand			Total	Supply			Self-sufficiency rate
	Local consumption	Exports	Carry-over		Production	Imports	Inventory	
2007	4,625	1,211	618	6,454	3,275	2,604	575	70.8%
2008	4,280	1,266	567	6,113	3,361	2,135	617	78.5%
2009	4,071	1,336	528	5,935	3,182	2,186	567	78.2%
2010	3,639	1,751	603	5,993	3,111	2,339	543	85.9%
2011	3,813	1,466	639	5,918	3,256	2,059	603	85.4%
2012	4,236	1,072	390	5,698	3,170	2,144	384	74.8%

Source: Korea Rural Economy Institute (KREI) 2012 Food Balance Sheet

Table 21: Korean Annual Per Capita Consumption of Seafood Product

(Unit: Kilogram)

Product Category	2006	2007	2008	2009	2010	2011	2012 (Preliminary)
Fish and Shell fish	43.5	42.1	39.1	36.1	36.6	37.8	39.0
Seaweed	13.0	14.4	15.8	14.4	14.7	15.7	15.9
Total (kg/year)	56.5	56.5	54.9	50.5	51.3	53.5	54.9

Source: Korea Rural Economy Institute (KREI) 2012 Food Balance Sheet

- Competitors

Seafood is imported into Korea from about 100 different countries. Major suppliers of fishery products to Korea include China, Russia, Vietnam, USA, Norway, Taiwan, Thailand, Japan, Chile and Canada. In 2013, the top ten supplying countries accounted for about 80 percent of total Korean seafood imports on a value basis. China continued to be the largest supplier, followed by Russia and Vietnam.

A dozen supplying countries including China, Russia, Japan, Norway, Thailand, Chile, Canada, Indonesia, etc. are some of our competitors that participate in the Busan International Seafood & Fisheries Expo annually. These competitors exhibit a wide variety of seafood products targeting importers, wholesalers, distributors, retailers, hotels, restaurants and food processors.

- Marketing

Imports of seafood are relatively straight-forward compared to other food and agricultural products. Importers import fishery products, and generally sell to hotels and food service industry directly, and/or to distributors who sell to traditional markets and restaurants. When the volume is large, importers generally sell to retailers such as supermarkets, discount stores and department stores directly. When the volume is small, importers sell to distributors who sell to retailers. Accordingly, U.S. suppliers should contact seafood importers to sell their fishery products to Korea.

Consumers like to purchase the species that they are accustomed to, and importers tend to import the species consumers are demanding. As mentioned earlier, imports of only 31 species accounted for almost 92 percent of total seafood imports from the United States to Korea in 2013. This means that U.S. exporters should supply the species consumers prefer, and at the same time should also try to invest in building demand for other species with which consumers currently lack familiarity.

Possible sources of market information include Korean importers, U.S. state departments of agriculture, the USATO website (www.atoseoul.com) and the U.S. Department of Commerce. Lists of Korean importers, by species, can be obtained from the U.S. Agricultural Trade Office.

One way of finding potential importers while also assessing market potential is to participate in local food shows to showcase your 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 in the food and beverage industry.

Seoul Seafood Show (3S) 2015 will be held in Seoul at COEX, April 2015. Sponsored by the Ministry for Food, Agriculture, Forestry and Fisheries (MIFAFF) of Korea, this is the only show held in Seoul specializing in seafood, fishery, nursery, aquaculture, processing machinery and related equipment. This show is held in April every year and targets seafood buyers, users, fishing businessmen and traders. The 2015 show will be attended by NOAA Japan office. Check the official website of the show (www.seoulseafood.com) for further details.

Busan International Seafood & Fisheries Expo (BIFSE) 2015 will be held in Busan at BEXCO convention center, It offers an excellent opportunity to explore possible market opportunities in Korea. This show has been held in November every year and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc. Currently it is the only seafood show held in Korea attended by ATO Seoul. ATO Seoul has been participating in this show for 11 years, in cooperation with SRTGs such as SUSTA and Food Export USA Northeast. Check BISFE's official website (www.bisfe.com) for detailed information on the show.

SECTION III. COMPETITION

The United States is the largest supplier of agricultural products to Korea with a 20 percent market share in 2013. 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 22: Best High-value, Consumer-oriented Product Prospects

Product Category	HS Code	2013 Imports ($ Mil) from Total	3 Yr. Avg. Annual Import Growth Total	Import Tariff Rates on American Product*	Key Constraints over Market Development	Market Attractiveness for U.S. Suppliers

		USA	USA			
Beef	0201-0202	1,396	-2.8%	32%	BSE image, Competition, High tariffs	Stable supply, Good quality, Competitive price
		529	-3.9%			
Pork	0203	822	-14.3%	0% - 15.7%	Competition, High tariffs	Stable supply, Good quality, Competitive price
		272	-13.7%			
Poultry	0207	233	1.5%	12.8 - 21.6%	Competition, High tariffs	Stable supply, Good quality
		73	-14.8%			
Fish, Live	0301	295	3.8%	0% - 25.2%	Competition Local taste	Reduced local supply Safety concerns
		32	117.9%			
Fish, Frozen	0303	1,183	-6.9%	0% - 29.8%	Competition, Local taste	Reduced local supply Safety concerns
		92	2.3%			
Crustaceans	0306	582	2.3%	0% - 35%	Competition	Stable supply, Good quality, Competitive price
		24	299.7%			
Cheese & Curd	0406	403	4.2%	0% – 28.8%	TRQ, EU competitors	Stable supply, Good quality, Competitive price
		188	11.4%			
Nuts	0802	333	24.0%	0% - 453.3%	High price, Global demand	Health image, Good quality
		282	21.5%			
Citrus	0805	235	7.5%	0% - 115.2%	High tariffs, Sanitation protocol	Stable supply, Good quality Competitive price
		222	7.5%			
Grapes	0806	188	16.9%	0% -37%	Chile, Competition	Good quality
		31	9.5%			
Cherries, Fresh	0809.20	90	29.2%	0%	Short shelf life	Good quality
		88	30.8%			
Coffee	0901	415	-10.9%	0% - 3.2%	Competition	Strong growth of café industry
		41	17.1%			
Sausages & Similar Products	1601	27	1.4%	0% -7.2%	EU competitors, Local processors No beef product	Good quality, Competitive price
		32	13.3%			
Prepared or Preserved Crustaceans	1605	315	0.8%	0% -14%	Competition	Good quality, Stable supply
		6	42.2%			
Sugar Confectionery	1704	120	12.5%	3.2% - 5.6%	EU competitors, Local processors	Good brand recognition
		21	25.9%			
Chocolate & Food Preparation	1806	284	4.2%	0% - 30%	EU competitors, Local processors	Good brand recognition
		90	4.7%			
Bread,	1905	245	8.8%	3.2% -	EU	Good brand

Pastry, Cakes, etc.		63	11.9%	5.6%	competitors, Local processors	recognition
Processed Vegetables & Fruits & Juices	2001-2009	883 278	4.4% 15.5%	0% - 44.7%	Competition	Good quality Stable supply
Sauces & Preparations	2103	190 29	1.2% 10.7%	0% - 36%	Competition, Local taste	Demand for new taste
Food Preparations Other	2106	805 449	0.8% 8.7%	0% - 528%	Competition Local taste	Good brand recognition

Note*: Tariff rates are for 2014. For specific tariff rates for individual products in the category, please contact ATO Seoul .

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 2014 2. Retail Food Sector Biannual Brief
3. FAIRS Country Report 2014