



Date: January
2000

Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

GAIN Report #KS0006

Organic Products

Korea, Republic of :

Organic Agricultural Products

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Report Highlights:

The market for organic products in Korea is relatively small, but has grown rapidly over the past 10 years. Current import regulations are ambiguous, but favor processed organic ingredients. A majority of consumers surveyed indicated plans to purchase more organic foods, while a third indicated a willingness to pay 50 percent more for organic products. Clearly the Korean market promises potential for U.S. exporters of organic foods.

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Seoul ATO [KS2], KS

Korea Market Brief on Organic Agricultural Products

1. Market Prospects

Summary

The size of the market of organic foods in Korea is difficult to define. However, local production provides a reliable indicator of the trend in consumer demand. Organic production in Korea has shown tremendous growth over the last ten years. The size of farmland for Environmental Agricultural Products (EAP), the Korean Government term for organic products, is estimated at 10,718 hectares in 1998, up 1,740 percent from 617 hectares in 1989. The number of EAP farms reportedly was 13,056 in 1998, accounting for 1 percent of the total farms in Korea, up 200 percent from three years ago and up 870 percent from 1,500 farms in 1989.

Due to an increase in both disposable income, and consumer concern over food safety, the interest in organic foods in Korea has grown. Currently, fresh fruits and vegetables account for more than 60 percent of the total EAP local market. EAP processed food ingredient imports account for a small portion of the total EAP market. However, the market for products with no-chemicals, reduced chemicals, and organic agricultural products is expected to flourish in the future.

With the expanding interest in EAP foods, Korean consumers have demanded the establishment of EAP standards. In response to this demand, the Ministry of Agriculture and Forestry (MAF) enacted the "Environmentally Sustainable Agriculture Promotion Act" in 1997 which was then implemented in 1998.

Advantages

- ! Processed organic food ingredients are easy to store and convenient for use in baby food, infant formula, patient foods, health foods, etc.
- ! Generally, U.S. products are well received in the local food sectors. The high quality and variety of organic ingredients from the U.S. are especially attractive.
- ! Local production of organic food ingredients is negligible. Current demand is greater than supply.
- ! Tariffs are generally low, about 8 percent.
- ! A third of consumers are willing to pay

50 percent more for organic products.

Challenges

- ! Few responses from U.S. organic product suppliers to Korean inquiries while many favorable responses from EU suppliers.
- ! There is a lack of product awareness. Advertisements, technical seminars and market promotions are necessary to develop this market.
- ! Labeling requirements and inspection procedures can be complex and inconsistent.

2. Labeling

Labeling for fresh & processed EAP products is very ambiguous in Korea. Both fresh and processed EAP products are controlled by the “Organic Agricultural Product Quality Control Guidelines” which was enacted by MAF in January 1999.

- ! A certification must show that the product has been cultivated, harvested, stored, packaged and transported properly in accordance with the Act.

3. Trends in Consumption

- ! Of Korea’s total land in agricultural production, only 0.56 percent is in EAP production. The total value of locally produced EAP is estimated at \$59 million in 1998, of which approximately \$21 million (36%) are organic vegetables, \$19 million (32%) are rice, \$14 million (24%) are fruits, and \$5 million (8%) are miscellaneous crops. Most organic fruits and vegetables are consumed fresh, and only 2 percent are processed.
- ! Foods produced through biotechnology have generated controversy among some consumers in Korea. Though Korean regulations do not currently allow labeling a product “GMO free”, this could provide a marketing boost for organic products in the future.
- ! Consumption of EAP is steadily increasing as disposable income and as consumers’ concern about environmental pollution, food safety, and health consciousness grows. Of the EAP farms in Korea, 33 percent plan to expand production.
- ! According to a 1998 Korean Rural Economic Institute (KREI) survey 1/, of those consumers who have tried organic products, 85 percent of them are satisfied, and 75 percent will continue to consume these products in the future, although the prices are higher. Further, 66 percent of those surveyed are planning to increase the consumption of the EAP. Of those consumers who have not tried EAP before, 86 percent of them have plans to do so.
- ! Aside from EAP ingredient use, a few companies produce fresh organic products including grains, tofu, vegetables, eggs, etc.

4. Market Access/Competition

- ! Imports of organic processed ingredients have increased steadily in recent years although the import volume is still small. According to the trade industry sources, Korea’s imports of organic ingredients are estimated at about \$2 million in 1999, half of which was imported from Europe.

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- ! The ATO is aware of cases of problems with imports of consumer ready organic food products. These appear to originate with the ambiguous standards and discrepancies between Korean government agencies, and their interpretation of the Ministry of Agriculture regulations.

5. Prices

- ! Compared to conventional agriculture products (non-EAP), prices of EAP are about 30 percent higher for rice and 25 percent higher for fresh fruits and vegetables in the local market. According to the KREI survey, 30 percent of consumers responded that they will buy EAP even though the prices are 50 percent higher than non-EAP.
- ! Prices of EAP baby food (the most developed organic market segment) are about double the prices of non-EAP baby food. One of the local baby food manufacturers expects the EAP market to expand steadily over the next 3 to 4 years due to the increasing birthrates from the expected millennium baby boom.

Note:

- 1/ Dr. Hyun Tae PARK, researcher in Korea Rural Economic Institute(KREI) "Direction for Distribution Improvement of Environmental Agricultural Product", 1999

End of Report

Market Briefs are researched and produced by the Agricultural Trade Office in Seoul, Korea. Market Briefs are meant to provide exporters with key information on products the ATO has identified as having excellent potential in the Korean market.

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