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Korea, Republic of

Product Brief

Pet Food - Korea

2001

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Report Highlights:

The Korean market for pet food has increased a remarkable 600 percent over the past 10 years, as pet (mainly dog) ownership has become more common, and pet owners are more frequently feeding commercial food preparations. The U.S. supplied 64 percent of the \$14 million in pet food imported by Korea in the year 2000.

The pet food market is expected to grow 15 to 20 percent annually over the next few years, and the U.S. product has the opportunity to gain an even greater market share, as consumers turn to "premium" dry pet food preparations.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Seoul ATO [KS2], KS

Korea Market Brief on Pet Food

1. Market Prospects

Summary

The imported pet food market in Korea grew 600 percent from \$2 million in 1991 to \$14 million in 2000. Pet food imports increased to \$8.2 million during Jan. - June 2001, up 27 percent from \$6.5 million during the same period of 2000.

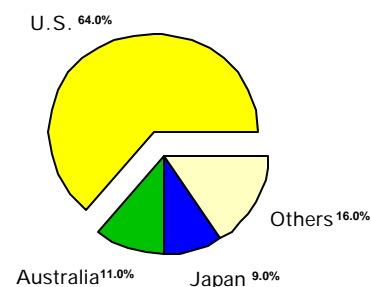
The U.S. has been the major supplier during last 10 years. In 2000, Korea imported \$9 million (64 %) from U.S., from Australia at \$1.6 million(11%) and from Japan at \$1.2 million(9%).

The Korean pet food market is expected to grow 15-20 percent annually over the next few years with rising income and changing the attitude toward animals as pets. The growing percentage of pet ownership in general and shift from feeding table scrap to pet food for well cared pets contribute to growing the Korean pet food market.

2. Market Opportunities and Threats

z In 2000, Korea imported \$14 million worth of pet food. The U.S. had the largest market share (64%), followed by the Australia (11%), Japan (9%), and EU (11%). The U.S. is expected to maintain its strong position in the market in the foreseeable future. The technology, quality and hygiene standards of U.S. manufacturers are viewed as way ahead.

Market Share of the Imported Pet Food by Country

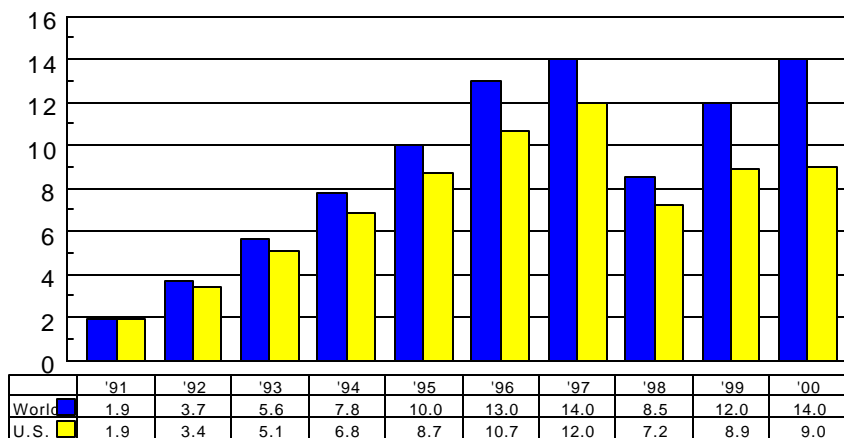


- z The industry expects that the 2002 world cup soccer games to be held in Seoul will be a good opportunity for the pet food market to expand as experienced from the Seoul Olympic games in 1988. Worldwide sports games used to be a good beginning stage to admit the western culture.
- z There are 5 - 6 dog cafes (named dog café) running at high income residential areas since 2 - 3 years ago. The cafes allow pet owners to accompany their pets and sell pet snacks. Pets can eat snacks and play while pet owners drink beverages with friends at café. Most of the dog cafes are doing good business and getting popular among pet owners. This proves that pets are becoming popular in Korea.

- z Industry sources indicate that imported pet foods took 30 percent market share by volume and 50 percent by value, because retail prices for imported pet foods are higher than locally produced products. Currently, the estimated ratio of dog to cat food sales is 95:5. The market for all other animals (other than dog and cat), for example, fish food, ferrets and birds is growing, but still very small compared to dog and cat food.
- z Pet owners become more emotionally attached to their pets, so the treats and snack items also have good prospects with dry pet food. Vitamins and high quality treats are gaining popularity.

Pet Food Imports from World vs U.S.

(Unit in Million Dollars)



Source: Korean Trade Information Service (KOTIS)

Advantages:

- ! U.S. products are super premium in quality.
- ! Koreans have a general acceptance and confidence in U.S. products.
- ! Pet owners are not sensitive to the prices of pet food.

Challenges:

- ! Pet food market is still too small.
- ! Korean importers lack knowledge of the variety of US pet food available.
- ! Korean pet owners lack knowledge of brand names of pet food.
- ! U.S. suppliers lack knowledge of the Korean pet food market and its opportunities.

3. Trends in Consumption

- ! Australia will remain the strongest competitor of the U.S. Australia will continue to be the major source of canned food, while the U.S. will dominate the dry food segment. Japan will remain the major supplier of pet's treats and snacks.
- ! Major brands in the Korean market include:
 - U.S. products - Purina Pro Plan, Alpo, One, Science Diet, Eukanaba, Pedigree
 - Local premium product - Jerony.
- ! According to the survey by a leading Korean pet food manufacturing company, there are 2 million pet dogs in Korea. It is estimated that 25 percent (500,000 pet dogs) of pet dogs are fed by pet food only, remainders are fed by table scrap and pet food together. Pet owners are realizing that dry food is healthier, more convenient and less messy than wet canned food.
- ! There are 800 pet shops selling pets (almost of them are infant dogs), pet food and other items for pet. In addition, there are over 2,000 vet clinics and pet beauty parlors where pet food and other items for pets are also sold.
- ! The market share for the super premium pet food is 20 percent, premium 20 percent and economic 60 percent. All the super premium and half of the premium pet foods are imported and the others are locally produced.

4. Tariff and Labeling

Pet food is listed under Harmonized System Code 2309.10 for "Dog or cat food, put up for retail sale", a 5 percent tariff is imposed on the CIF value. Korean importers must register the following ingredients contained in the pet food with the Provincial Government Office or City Government in order to sell pet food in Korea :

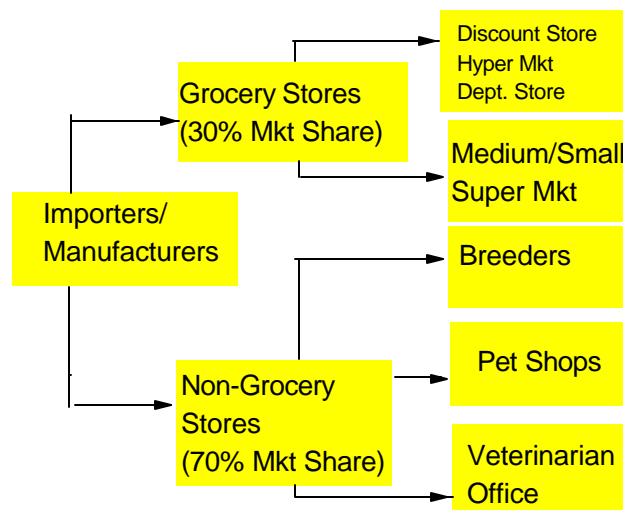
1. Crude protein
2. Crude fat
3. Crude ash
4. Crude fiber
5. Calcium
6. Phosphorus

In addition, there are the following Korean language labeling requirements.

Labeling

- a. Product registered number
- b. Product name
- c. Product type

- d. Volume of registered ingredients
 1. Crude protein (Minimum amount)
 2. Crude fat (Minimum amount)
 3. Crude ash (Maximum amount)
 4. Crude fiber (Maximum amount)
 5. Calcium (Minimum amount)
 6. Phosphorus (Minimum amount)
- e. Manufactured date
- f. Expiry date
- g. Importer's name
- h. Manufacturer's name
- i. Names of feeds/grains used
- j. Country of origin
- k. Details if medicine is used
- l. Usage of feed
- m. Net weight
- n. Describe if repackaged locally
- o. Warning clause, if any



5. Distribution Channel

6. Prices

Pet owners are not very sensitive to the price as well as brand consciousness. Pet owners are concerned only the quality of the pet food, so effective information from the sales persons will favorably affect purchase decisions. Discount stores carry only a few brands and bulk pet food but at much lower prices, and medium & small sizes grocery stores carry varieties at medium prices. These grocery

stores account for 30 percent of the market share. Vet clinics and pet shops carry a variety of brands and sizes at higher prices. These non-grocery stores account for 70 percent of the market share.

Brand (Origin)	Size	Price
Purina Pro Plan/One (Imported)	1.5 Kg	\$7*
Alpo/Friskie (Imported)	1.5 Kg	\$7.7*
Science Diet (Imported)	1.5 Kg	\$7.7*
Eukanaba (Imported)	1.5 Kg	\$7.7*
Pedigree (Imported)	1.5 Kg	\$7.7*
Jerony (Local produced)	1.8 Kg	\$5.4*
Pedigree(Imported)	3.5 Kg	\$6.5**
Alpo/Friskie (Imported)	8 Kg	\$12.7**

* Price source: Prices from vet clinic and medium & small size super markets

**Price source: Large size discount store

The exchange rate used is 1 US dollar equals 1,300 Korean Won

7. Information on Pet Show in Korea

Korea Pet Show 2001 will be held during November 16 -18 (3 days), 2001 in the Seoul Trade Exhibition Center, organized by the Korea Kennel Club, Korea Aquarium Promotion Association and Korea Industrial Marketing Institute. This will be the third show to be held in Korea, but it attests to the growing affluence of Korean consumers as their interest in owning pets continues to grow. You may also wish to view the KoPet web site for detailed information on the Show 2001. **The site address is: www.kopet.com**

The last Kopet show 2000 was participated in by major pet food producers such as Purina and the German company, Vitakraft. The show featured a surprising array of US "boutique" dog products like organic barley "Tia Chips" from California, an electrolyte replenishment drink "K-9 Quencher" from Vermont, and even edible dog "cigars" made of grains from "Bow Wow Bistro" of Florida.

8. Post Contact and Further Information

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