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Product Brief

Popcorn Market Brief

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Report Highlights:

Popcorn imports to Korea began approximately 20 years ago. Demand for popcorn continues to increase, especially in the movie theater and multiplex cinemas industry. In addition to strong demand for imported popcorn, Korean consumers consume even more white corn in the form of popped kernels. Imports of processed popcorn have declined in recent years.

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Table of Contents

SECTION I. Executive Summary/Market Overview	3
Table 1: Advantages and Challenges for U.S. Popcorn	3
SECTION II. Market Sector Opportunities and Threats.....	4
1. Entry Strategy.....	4
2. Market Size, Structure, and Trends.....	4
Graph 1: White Corn Imports.....	5
Graph 2: Raw Popcorn Imports.....	5
Graph 3: Microwave Popcorn Imports	6
Chart 1: Distribution Channel.....	6
3. Company Profiles	7
Table 2: Raw Popcorn Importers	7
Table 3: White Corn Importers	7
Table 4: Processed Popcorn Importers	7
Table 5: Raw Popcorn Imports (and Market Share) by Country	8
SECTION III. Costs and Prices	8
Table 6: Sample Retail Prices of Popcorn in Korean Market.....	8
Table 7: Average Price for Imported Raw Popcorn	8
Table 8: Average Price for Imported Raw White Corn	9
Table 9: Average Price for Imported Processed Popcorn.....	9
SECTION IV. Market Access	9
1. Tariffs and Quotas.....	9
Table 10: Tariffs and Quotas for Popcorn	9
2. Inspections and Quarantines	10
SECTION V. Key Contacts and Further Information	10

SECTION I. Executive Summary/Market Overview

Popcorn imports to Korea began approximately 20 years ago. Demand for popcorn continues to increase, especially in the movie theater and multiplex cinemas industry. In addition to strong demand for imported popcorn, Korean consumers consume even more white corn in the form of popped kernels. Imports of processed popcorn have declined in recent years.

Raw Kernels: Popcorn and White Corn

Two market segments exist for popped corn in Korea: raw popcorn and raw white corn. Domestic production of raw popcorn amounts to less than 1,000 MT and continues to decline, while domestic production of raw white corn is estimated at only 500 MT. Almost all raw kernels in Korea are imported.

Approximately 50 percent of imported raw popcorn is sold in bulk to multiplex cinemas, where popcorn is then popped on site and sold directly to moviegoers. The remaining raw popcorn imports are sold to the food processing sector where popping companies pop and re-package the popcorn to be sold in both small and large retail food stores. Popping companies also sell popcorn to bars to be served with beer.

The market for white corn is larger than the popcorn market. Raw white corn is imported, popped, and sold to supermarkets and retail stores. Raw popcorn and white corn are the most highly demanded popped corn products in Korea, and their sales are expected to expand in the future.

Processed Popcorn

Processed popcorn includes pre-popped popcorn as well as microwave popcorn. Recently, microwave popcorn has lost popularity in Korea due to consumer perceptions that it contains high levels of trans fat. Although recent decreases in imports were precipitated by the media's emphasis on trans fat in microwave popcorn in 2005, the microwave popcorn market had already been declining. One leading importer of processed popcorn attributed the decline to Koreans' taste preferences for popcorn popped by a popcorn machine as opposed to a microwave.

Pre-popped popcorn has not performed well in Korea due to the short shelf life of popped popcorn in Korea's humid weather conditions. High shipping costs also deter importers from choosing to import already popped popcorn.

Table 1: Advantages and Challenges for U.S. Popcorn

ADVANTAGES	CHALLENGES
Popularity of American culture (movies)	Lack of product knowledge regarding popcorn
No quotas on processed popcorn	High tariffs on both raw (especially when over quota) and processed popcorn as well as white corn
High demand for popcorn products	Importers face additional costs due to repacking requirements for retail sales.
Korea is an advanced nation that is increasingly adopting Western foods	Trans fat concerns have caused microwave popcorn sales to plummet
Shelf life of one year for popcorn products	Humid weather conditions in Korea

SECTION II. Market Sector Opportunities and Threats

According to a recent study conducted by one of Korea's leading popcorn importers, the consumption of popcorn in Korea is only one-tenth that of the United States. This figure can be easily doubled as there is significant potential for growth. In Korea, popcorn is mainly consumed by people who are between the ages of 12-25 years old.

1. Entry Strategy

Approximately 95 percent of all popcorn and white corn consumed in Korea is imported. The tariffs for raw popcorn, white corn, and processed popcorn imports are as follows:

For raw popcorn, there exists a tariff of 1.8 percent on raw kernels up to 5500 MT. Beyond this quota, a 630 percent tariff applies. There is no VAT on raw popcorn.

The in-quota tariff rate for raw white corn is 2 percent for quantities below 15,000 MT. The out-of-quota tariff rate is 328 percent.

There is no quota for processed popcorn, but there is a tariff of 45 percent. In addition, processed popcorn is subject to a 10 percent VAT.

Importers avoid the high out-of-quota tariff rate for raw popcorn by importing smaller packages of raw popcorn kernels that are "processed" through the addition of seasonings in the packages. These particular popcorn imports are then categorized by Korean customs as processed popcorn and thus, are subject to the lower processed popcorn tariffs. There are no out-of-quota imports for raw popcorn or white corn.

At present, the best entry strategy into the Korean popcorn market is to contact local importers for industry-specific knowledge and information on the market. The largest importer of popcorn in Korea also imports popcorn machines, coconut oil, and other popcorn-related products in addition to kernels. They also provide on-site training on machine use and maintenance for their clients.

The Korea Corn Association is responsible for dividing the government quota for popcorn among its 43 members. Most of the members are popcorn marketing companies, popping companies, retail packaging companies, and distributors, while only a few are importers of popcorn. Distribution of quota access is based on the size of each member's market share of the popcorn industry. The association employs only three employees and does not conduct any market research.

2. Market Size, Structure, and Trends

Market Size

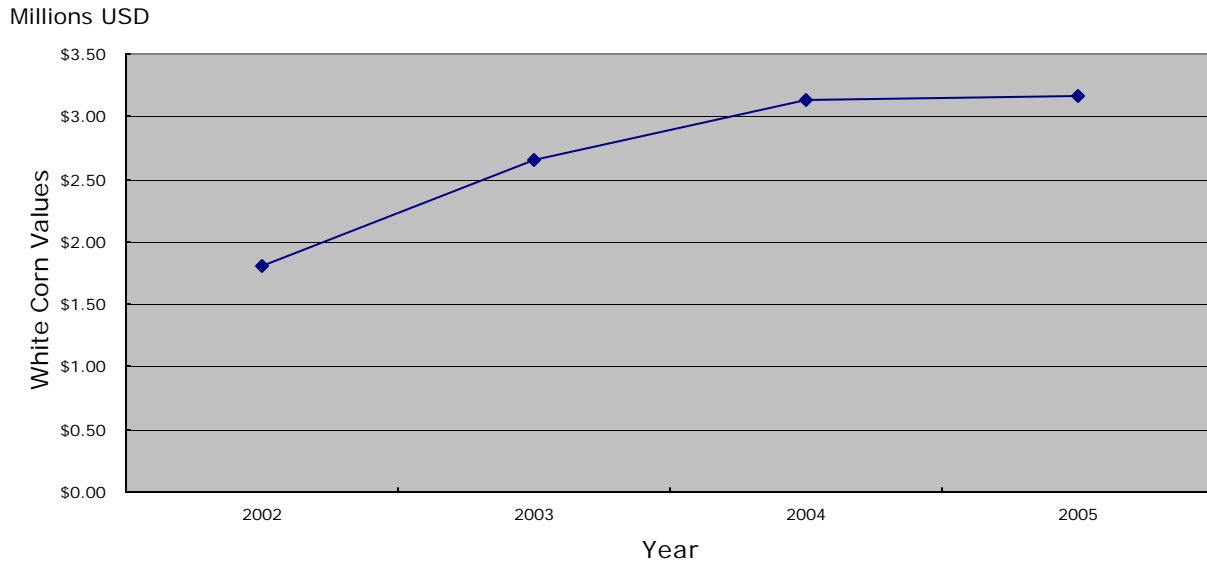
Total imports of raw popcorn and raw white corn have been growing, though at an uneven pace:

The five-year average value for raw popcorn imports was \$1,251,200 from 1996-2000, while the five-year average value for raw popcorn imports was \$2,049,000 from 2001-2005. Values are based on CIF prices.

For raw white corn imports, the four-year average value from 2002-2005 was \$2,686,430. Values are based on CIF prices.

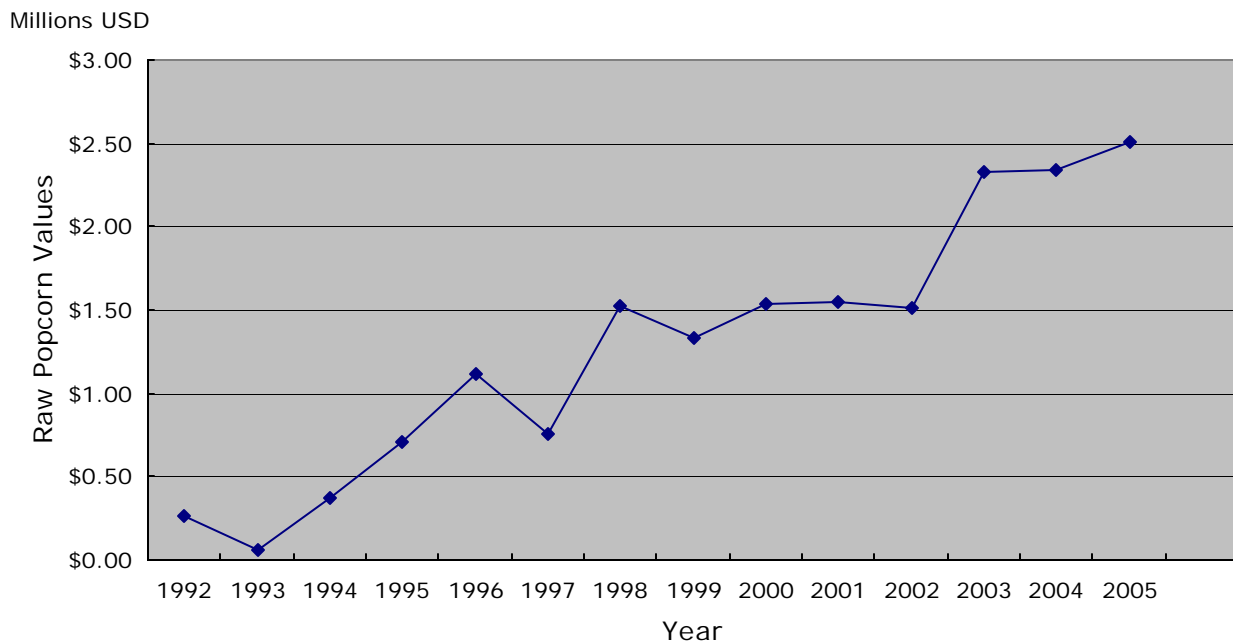
The market for microwave popcorn has been declining in recent years. The 1996-2000 average value for microwave popcorn was \$12,504,000 whereas the 2001-2005 average value was \$8,237,000.

Graph 1: White Corn Imports



Source: Korea Corn Processing Industry Association (KPCIA) and Korean Corn Association (KCA)

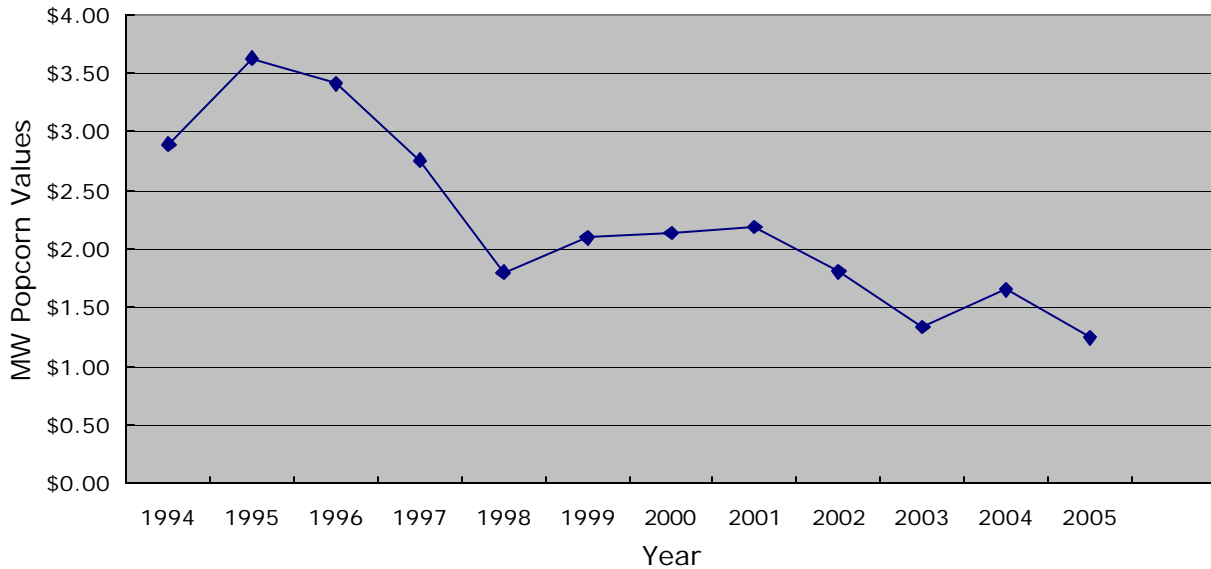
Graph 2: Raw Popcorn Imports



Source: KITA

Graph 3: Microwave Popcorn Imports

Millions USD

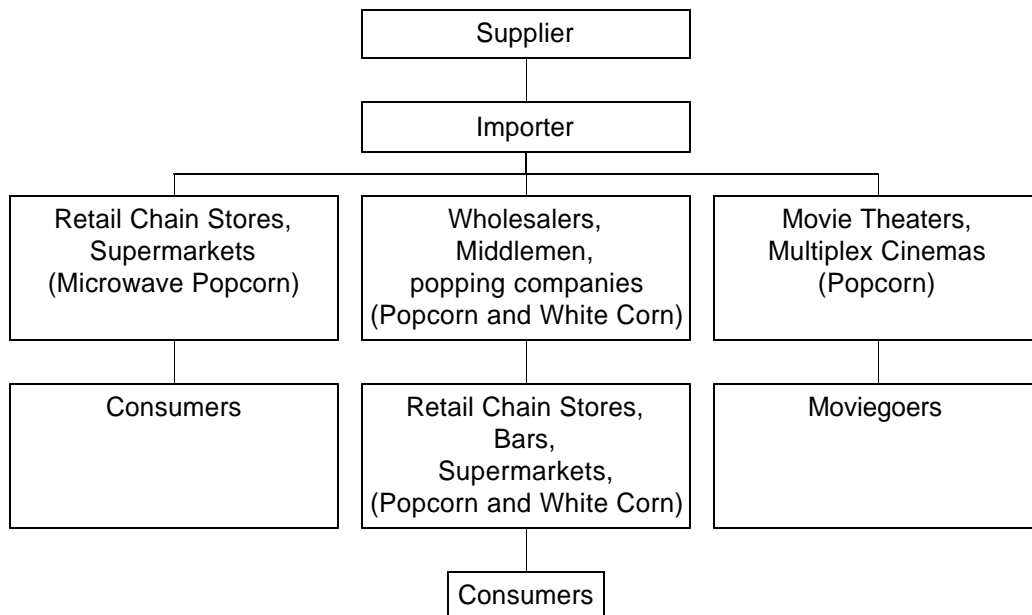


Source: KITA

Structure

The distribution channel for imported raw popcorn, white corn, and processed popcorn is as follows:

Chart 1: Distribution Channel



Trends

Based on Korean import data for the past 12-14 years, raw popcorn imports have steadily grown each year, with the exception of 1997-1998. Imports of raw white corn have increased in the last five years. The United States remains the largest exporter of raw popcorn to Korea, with only minimal competition from Argentina. The United States is also currently the only country to export both raw white corn and processed popcorn to Korea.

3. Company Profiles

Table 2: Raw Popcorn Importers

COMPANY	WEBSITE
Shinhwa Pop-Village Co. Ltd.	http://www.shpop.co.kr
J & E Corp.	http://www.jnekorea.com
Aha Corporation	N/A
Dong Am Corp.	N/A
Mammos Confectionery Co., Ltd.	http://my.ecplaza.net/mammos

Source: KITA

Table 3: White Corn Importers

COMPANY	WEBSITE
Corn Products Korea	http://www.cpk.co.kr
Samyang Genex Corp.	http://www.genex.co.kr
Daesang Corporation	http://www.daesang.co.kr
ShinDongBang CP Corp.	http://www.sdb.co.kr

Source: KITA

Table 4: Processed Popcorn Importers

COMPANY	WEBSITE
TS Corporation	http://www.ts.co.kr
Costco Whole Sale	http://www.costco.com
Shinhwa Pop-Village Co.	http://shpop.co.kr
Goldenbell International	http://www.golden-bell.co.kr

Source: KITA

Trade and Competition

In 2005, Korea imported a total of \$2.5 million in raw popcorn (approximately 5,596 MT) from the United States and Argentina. The United States dominates the raw popcorn market in Korea.

The United States is currently the only exporter of raw white corn to Korea. Data on white corn imports to Korea are limited as white corn is grouped together with other kinds of corn imports. It is estimated that Korea imported approximately \$3.2 million in white corn from the United States in 2005.

The processed popcorn industry lags behind the raw popcorn and white corn industries as Korea imported only \$1.2 million of processed popcorn (approximately 971 MT) from the United States in 2005. The United States is currently the only exporter of processed popcorn to Korea. Importers reported significantly lower sales of processed popcorn after negative press in 2005 regarding trans fat in microwave popcorn. Knowledgeable market observers expect the demand for microwave popcorn to recover in time.

Snacks that pose as major competitors for popcorn are other theater snacks, especially nachos.

Table 5: Raw Popcorn Imports (and Market Share) by Country

Unit: \$1000

COUNTRY	CY 2002	CY 2003	CY 2004	CY 2005
U.S.	1518 (100%)	1637 (70%)	1970 (84%)	2401 (96%)
Argentina	0 (0%)	692 (30%)	366 (16%)	112 (4%)
TOTAL	1518	2329	2336	2513

Source: Korea Rural Economic Research Institute (KREI)

SECTION III. Costs and Prices

Based on a simple price survey of one retail store and three supermarkets, the following retail prices for popcorn products were collected:

Table 6: Sample Retail Prices of Popcorn in Korean Market

Unit: Korean Won

Type of Corn	N&P	Emart	CJ Mall	Sweet Space
Microwave	3000 won (\$3.12) (3 pack)	3200 won (\$3.33) (3 pack)	1000 won (\$1.04) (1 pack)	2950 won (\$3.07) (3 pack)
Raw popcorn	20,000 won (\$20.83) (10 kg)		3000 won (\$3.12) (32 oz)	1990 won (\$2.07) (32 oz)
Popped popcorn	800 won (\$0.83) (snack tube)	1970 won (\$2.05) (227 g bucket)	NA	NA

Exchange rate used: 1 USD = 960.209 KRW (6/28/2006)

Based on annual data provided by KITA, the following tables provide a general idea of recent average unit prices of popcorn, white corn, and processed popcorn from different countries:

Table 7: Average Price for Imported Raw Popcorn

2005 and 2006 CIF

CAI ENDA	TOTAL	IMPORTS	U S	IMPORTS	TOTAL
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YEAR	IMPORTS (KG)	FROM UNITED STATES (\$)	IMPORTS (\$/KG)	FROM ARGENTINA (\$/KG)	IMPORTS (\$/KG)
CY 2005	5,595,822	5,310,068	.45	.39	.45
CY 2006 (Jan- Apr)	1,445,807	1,445,807	.46	NA	.46

Table 8: Average Price for Imported Raw White Corn
2004 and 2005 CIF

CALENDAR YEAR	TOTAL IMPORTS (KG)	IMPORTS FROM UNITED STATES (\$)	U.S. IMPORTS (\$/KG)	TOTAL IMPORTS (\$/KG)
CY 2004	12,986,000	12,986,000	.24	.24
CY 2005 (Jan- Apr)	14,049,000	14,049,000	.23	.23

Table 9: Average Price for Imported Processed Popcorn
2005 and 2006 CIF

CALENDAR YEAR	TOTAL IMPORTS (KG)	IMPORTS FROM UNITED STATES (\$)	U.S. IMPORTS (\$/KG)	TOTAL IMPORTS (\$/KG)
CY 2005	971,714	971,714	1.28	1.28
CY 2006 (Jan- Apr)	356,123	356,123	1.09	1.09

SECTION IV. Market Access

1. Tariffs and Quotas

The TRQ for raw and processed popcorn as well as for white corn is administered by aT (The Korea Agro Fishery Trade Corporation) and the Korean Corn Association under the umbrella of the Ministry of Agriculture and Fisheries. The Korean Corn Association issues the allocations of the quotas. The applicable tariff rates for raw popcorn, raw white corn, and processed popcorn are as follows:

Table 10: Tariffs and Quotas for Popcorn

HS CODE	PRODUCT	QUOTA	TARIFF IN-QUOTA	TARIFF OUT-OF-QUOTA	VAT
1005.90.2000	Raw Popcorn	5500 MT	1.8%	630%	None
1005.90.9000	Raw White Corn	15,000 MT	2%	328%	None
2008.99.3000	Processed Popcorn	None	45%	45%	10%

*Note: The HS code and quota for raw white corn includes several other corn products.

Based on interviews with popcorn importers, the USDA Agricultural Trade Office (ATO) in Seoul has been advised that the Korean Ministry of Agriculture and Fisheries instituted a

repackaging regulation in 2004 for importers of raw popcorn. Under the regulation, anyone who imports raw popcorn with the intention of offering the product for retail sale must repackage the popcorn. To date, the details regarding the regulation are unclear. ATO is looking further into this matter and hopes to obtain more details in the future.

2. Inspections and Quarantines

For imports of raw popcorn and raw white corn, exporters must provide a phyto-sanitary certificate issued by USDA/APHIS. A document stating that the imported products are non-GMO is always requested by importers. Processed popcorn is regulated by the Korean Food and Drug Administration. See the report prepared by FAS/Seoul on Korea's Food and Agricultural Import Regulations and Standards for more information about KFDA import requirements (<http://www.fas.usda.gov/gainfiles/200508/146130525.pdf>). See the Exporter Guide (<http://www.fas.usda.gov/gainfiles/200509/146131034.pdf>) for general import inspection requirements.

SECTION V. Key Contacts and Further Information

For further information or assistance on the Korean popcorn market, please contact:

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