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Report Highlights:

South Korea is the fifth largest market for U.S. agricultural products. Korea's 49 million citizens reside in an area slightly larger than Indiana. Accordingly, imported food comprises 60-70 percent of overall food consumption in Korea. Total imports of agricultural products amounted to \$15.5 billion in 2005 and are estimated to reach \$16.4 billion in 2006. U.S. food exports to Korea account for nearly 20 percent of the overall market. Free trade agreement negotiations between the United States and Korea are currently underway boding well for future bilateral trade prospects.

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SECTION I. MARKET OVERVIEW

Korea was the world's 12th largest economy in 2005 with a GDP of \$787.5 billion in 2005. Per capita GDP in Korea was estimated by the OECD at \$20,400 in 2005 on a purchasing power parity basis. As such, the demands of Korean consumers are converging with the demands of consumers in other developed economies including the United States. Korean consumers place value on high quality, low cost, healthiness and convenience in the course of making food purchasing decisions. Increasing affluence, more women in the workforce, and a well-traveled younger generation looking for goods with an international flavor are promoting the rise of convenience stores, bulk retail outlets and western style family restaurants. The demand for products, such as frozen vegetables, sauce preparations, and confectionery items is growing and the domestic processing industry lacks the capacity to supply these items.

Traditionally, Korea has imported large amounts of bulk and intermediate products, such as hides and cotton. The market for these types of products is fairly flat as industries such as tanning and textile increasingly shift their processing facilities to lower-cost locations. Total imports of bulk products from January to August 2006 have declined by 3.7 percent, whereas imports of consumer ready products have increased by 13.3 percent. Imports of U.S. poultry, pork, pastries, mineral water, confectionery products, processed meats and nuts are all showing significant growth in 2006.

The Samsung Economic Research Institute forecasts Korea's GDP growth in 2006 at 4.8 percent and 4.3 percent in 2007. The overall performance of the Korean economy will depend greatly on external conditions including the international price of oil to the strength of the Korean won.

Korea has a very high population density. Seoul, the nation's capital, has grown into a global metropolis. Currently 23 million people live in Seoul, Incheon and Kyunggi Province, about 48 percent of the total population. Also, the metropolitan area around Seoul currently houses about 84 percent of government bodies and institutes, 88 percent of Korea's 30 largest companies and 65 percent of the 20-most popular universities in the nation.

This concentration in Seoul along with its efficient distribution system allows U.S. suppliers to realize promotional benefits from their efforts very quickly. Other marketing opportunities such as on-line selling, home shopping channels and home delivery of groceries work well in Seoul whereas in other countries the costs of promoting through these types of retail sales outlets are much higher.

Table 1. Agricultural Imports by Sector

(Millions of U.S. Dollars, Based on CIF Value)

Category	2004		2005		2006 (f)	
	World	U.S.	World	U.S.	World	U.S.
Consumer	3,494	785	4,187	819	4,644	993
Intermediate	3,689	729	3,986	765	4,306	809
Bulk	3,614	1,678	3,156	1,031	3,036	1,373
Fish & Seafood	2,189	129	2,301	144	2,458	132
Forest Products	1,774	163	1,845	171	1,978	170
TOTAL	14,759	3,482	15,475	2,927	16,422	3,447

Note: (f) is a forecast based on January-July data.

Source: Korea Trade Information Service (KOTIS), compiled by ATO Seoul

Total imports of agricultural products from the United States are estimated at \$3.5 billion in 2006, up from the previous year due to the significant increase in corn imports.

Table 2. Advantages and Challenges for U.S. Consumer-Oriented Foods

Advantages	Challenges
Equal or superior quality to domestic products	Frequent changes in food regulations compounded by language barrier
Increasing affluence of Koreans	Importers lack knowledge of product sources
Diminishing resistance to imported foods	Food safety concerns and biotech issues
Strong appreciation of Korean currency	High marketing costs
Korean officials publicly state intentions to follow international guidelines for beef trade	Onerous inspection/customs clearance procedures
Ongoing FTA negotiations with the United States	Tolerances of additives/preservatives are different from the United States

SECTION II. EXPORTER BUSINESS TIPS

A. Where to Start

When considering the Korean market, exporters should conduct preliminary research to determine if the market is appropriate for their product. It may not be possible to market the exact same product in Korea as in the United States. Korean consumers may have different demands.

Information freely provided on the U.S. Agricultural Trade Office website may be a good place to start. 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. Lists of Korean importers, by product, can also be obtained from the U.S. Agricultural Trade Office (see Section V.).

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. In Korea the clichés about "seeing is believing" and "one visit is worth a 1,000 faxes" are especially true. 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 plan to start.

Another way of finding potential importers is to participate in a local food show 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.

Currently, the only USDA-supported food show in Korea is "Seoul Food & Hotel 2007", which will be held in Ilsan in the suburbs of Seoul, April 24-27, 2007. 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. See <http://www.allworldexhibitions.com/food/> for more information.

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.

For exporters of high-value niche market products, Food Export Association of the Midwest USA offers a Distributor Development Service (DDS), which provides a series of cost-effective services designed to assist U.S. suppliers with specific information on whether and how to approach the Korean market. It will also assist U.S. food companies in establishing and solidifying contacts in the Korean import, distribution, retail, food service, or food processing sectors through trade servicing and in-market assistance. For information on the DDS, see contact information in Section V of this report.

Finally in the Korean market, never take anything for granted. Be ready for the unexpected. Just because the first container cleared customs does not mean the second one will. Be open for new information, attentive and patient.

B. Local Business Customs

Korea is a country of tradition. While importers understand international business, noting the cultural nuances will facilitate building a business relationship. The following are some business tips U.S. suppliers should keep in mind when dealing with Korean businessmen.

Obtaining Information: To obtain information from a Korean importer, it is best to ask directly and explain why the information is important. Koreans may require more of an explanation than Americans are used to providing. A lengthy discussion about the seller and the firm's history may be needed. If you do not receive a successful reply, there is nothing wrong with politely asking again. In Korea, it is often seen as a sign of seriousness to continue presenting your request. Additionally, Koreans will rarely say, "no" directly. Instead they will say something is "very difficult."

Initial Communications: Koreans prefer to deal face-to-face. As such, cold calling (or cold e-mailing) is very difficult in Korea. When corresponding through written communication, start with words of appreciation, clearly mark the recipient's name, title, and division (as many Koreans have the same last name), avoid using long complex sentences and slang, indicate a reasonable time frame for a response, and close with additional words of appreciation.

Relationships: Personal relationships are very important. Koreans like to maintain long-term relationships and are often very loyal. Developing a relationship with a potential Korean partner is vital to establishing your credibility. If a seller has already entered this market, the established contacts can help to build trust with the new one.

Introductions: It is very helpful to have a formal introduction to the person or company with whom the seller wants to do business in Korea. Meeting the right person in a Korean

company is almost always dependent on having the right introduction. For U.S. exporters that are new to the Korean market, ATO Seoul may be able to provide an introduction.

Evening Gatherings: The office may not be the best place to discuss business matters or propose new ideas, especially when dealing with the older generation. It is helpful to get together in the evening for a less formal, but no less important, meeting. Korean businessmen often gather after work to see friends over drinks. There, many of the hierarchical traditions slacken. Although Koreans are wary of people who refuse to drink or who drink moderately, foreigners are given a little more flexibility especially if you explain that you have health or religious reasons for abstaining. A useful, cultural point to note in this situation is that it is impolite to pour one's own drink. So, if you want a drink, do not be bashful about pouring a drink for others.

Name Cards and Address: The exchange of name cards is usually the first item of business. In Korea people seldom call others by their first names. Instead, they use surnames (such as Mr. Hong) or title and surname together (such as President Hong). Never use a first name unless the person specifically asks to be called by their first name. Surnames are often written first on a Korean business card, for example Hong, Gil Dong would be referred to as Mr. Hong. For Westerners, it is difficult to know from the given names if the contact is a man or a woman.

Meetings: Small talk is a good way to break the ice at the beginning of a meeting, and a short, orderly meeting with an agenda provided in advance will go a long way towards the completion of a successful meeting. It is very likely that the meeting will be with a senior staff member whose English may not be very good. At times, a junior staff member might translate but, if not, be prepared to provide all materials and/or requests in writing. Pay attention to the seating arrangement, usually the senior staff member will sit at the head of the table. Decisions are usually made from the top down in Korea. When making initial visits, hiring a translator can be a valuable investment. Take time to educate the translator before hand so some familiarity with terms can be worked out.

Dress: It is recommended to wear a business suit and tie when meeting or visiting Korean importers for the first time. First impressions are important.

Resolving Conflicts: Koreans do not like to appear to have "lost face." It is important to always try to give something even if you think you are in the right. It will help the conflict resolve more quickly. Visible anger is not useful in a confrontation. Instead, silence is a more effective method of conveying displeasure. Apologizing can also be useful and does not always mean you feel you were wrong. Lastly, never direct your criticism directly at one specific person, but at an entire group.

Special Note: One idiosyncrasy of the Korean language is that Koreans say "yes" when they might mean "no" or vice versa. For instance, in Korean, "Wouldn't you like to go home?" if answered with a "yes" means 'that's right, I would not like to go home". To avoid confusion, reply with a full sentence, "Yes, I would like to go home."

C. General Consumer Tastes and Preferences

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. It is not unusual for working members of the household to have business dinners five nights a week which is one reason restaurant consumption has continued to grow. For home consumption, busy consumers can purchase ready-made local-style food items such as kimchi or bulgogi (barbecue) at local grocery or convenience stores.

There is a general preference for national brand products and/or products that have long been recognized in the market. However, the younger generation has had a lot of exposure to Western style foods, especially American food. Over 80,000 Korean students study in the United States every year and, thus, they are somewhat accustomed to U.S. brands and to the taste of American products.

Korean consumers also like natural, fresh food products, such as health foods, functional foods and diet foods. Koreans perceive organic products as healthy products. As a result, the organic market is a segment that has been developing rapidly. Koreans have always looked to their food to provide a functional or health benefit and foods made without the use of pesticides or insecticides are very appealing.

It is also important to note that Korean consumers are very sensitive to food safety issues. They tend to get their information through the media and trust it in spite of the often-misleading information. Once a "food scare" rumor gets publicity, that food is affected and its reputation is quickly damaged.

D. Food Standards and Regulations

Food standards and regulations are subject to frequent change. U.S. exporters need to ensure that all necessary customs clearance requirements have been verified with local authorities through the Korean importer before the sale conditions are finalized. One caveat in this area is that importers sometimes request full disclosure of the ingredient percentages for processed food products. However, Korean regulations only require disclosure of the percentage content of main ingredients. Final import approval of any product is always subject to the standards and regulations as interpreted by the Korean official at the time of product entry.

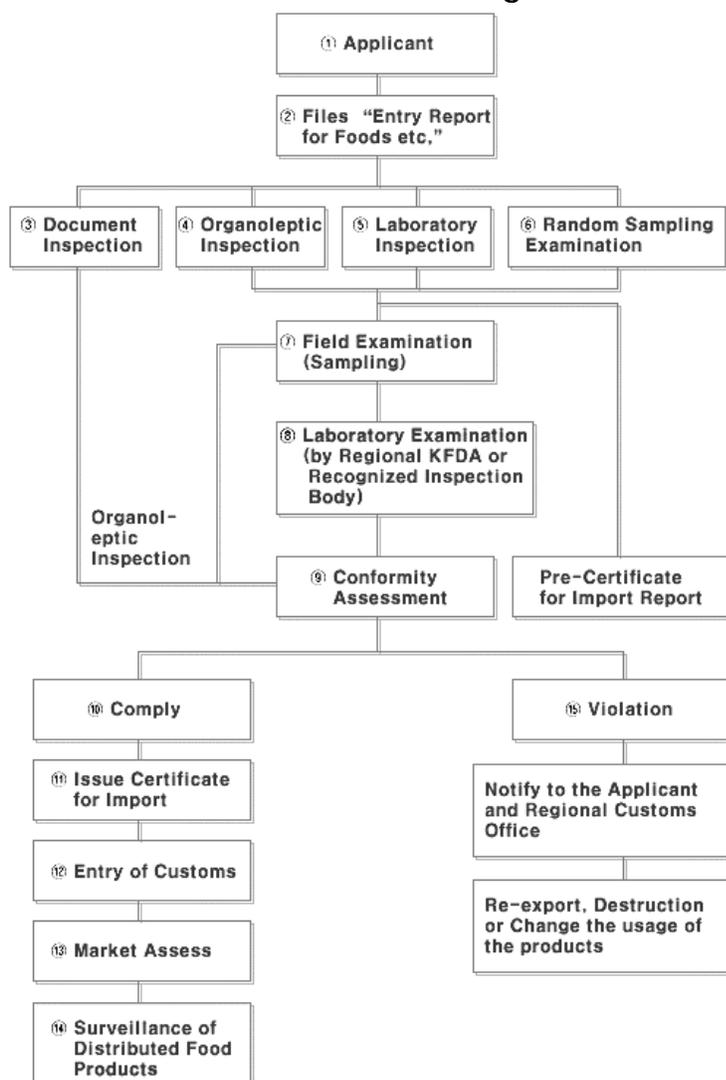
There are many food standards and regulations. This report describes only the basic guidelines of Korea's import requirements. For details on Korean import regulation, see the Food and Agricultural Import Regulations and Standards (FAIRS) Reports – KS6080 dated July 28, 2006.

E. General Import and Inspection Procedures

The Korea Customs Service (KCS), the Korean Food and Drug Administration (KFDA), the National Quarantine Office (for ports that do not have KFDA regional offices), the National Veterinary Research & Quarantine Service (NVRQS) and the National Plant Quarantine Service (NPQS) are the agencies involved in the import clearance process. Imports of agricultural products generally must receive clearance from several organizations and are thus more likely to encounter port delays than other imported products. In addition, other organizations may be involved in regulating imports through the administration of licenses or, in some cases, quotas for agricultural products.

KCS is responsible for ensuring that all necessary documentation is in place before the product is finally released from the bonded area. KCS operates an Electronic Data Interchange System (EDI) and KFDA operates the imported food network system through their regional offices and national quarantine offices. The KFDA network system is connected to the EDI system, which permits KFDA inspection results to be transmitted more quickly, which shortens the KCS clearance time. Products subject to plant or animal quarantine inspections must clear by the appropriate quarantine inspection authority before KCS provides clearance.

Chart 1: Korea Food & Drug Administration (KFDA) Import Procedures



Korea Food and Drug Administration, Food Safety Bureau, Food Distribution Division

(1) The importer or the importer’s representative submits the form called “Import Declaration for Food” along with any other documents.

(2) The type of inspection to be conducted is determined in accordance with the guidelines for inspection of imported food products. The types of inspection that a given food product may be subject to include: Document Inspection, Visual Inspection, Laboratory Inspection, and Random Sampling Examination.

KFDA Inspection Duration

Document Inspection	2 days
Visual Inspection	3 days
Laboratory Inspection	10 days
Incubation Test	14 days
Random Inspection	5 days

(3) If a product is subject to visual inspection, laboratory inspection and random sampling examination, the KFDA inspector will conduct a field examination and take samples for the laboratory test.

(4) KFDA conducts the conformity assessment from the information collected, using such items as test results, document inspection results, etc.

(5) If a product complies with the Korean standards, KFDA issues a certificate for import. An importer can clear products with the KFDA import certificate.

(6) If a product does not comply with the Korean standards, KFDA will notify the applicant and the regional customs office about the nature of the violation. The importer decides whether to destroy the product, return the shipment to the exporting country, or use it for non-edible purposes. If the violation can be corrected, as with labels, the importer can reapply for inspection after making the corrections.

For perishable agricultural products, such as fresh vegetable, fruits, etc., an importer can clear the products prior to completion of the laboratory test with a pre-certification authorization from KFDA. In this instance, however, the importer needs to be able to track down the distribution of the given product so the products can be recalled should the laboratory test indicates a violation.

If products are subject to animal quarantine inspection or plant quarantine inspection, in addition to a food inspection by KFDA, the animal quarantine certificate or plant quarantine certificate issued by the National Veterinary Research & Quarantine Service (NVRQS) or the National Plant Quarantine Service (NPQS) is required for product clearance, in addition to the KFDA certificate. Inspection by NPQS or NVRQS can take place simultaneously with the KFDA inspection.

F. Labeling Requirements for Processed Food

Korean language labeling is a requirement. The requirements change frequently and importers must keep abreast of changing regulations. In addition to the requirements listed below, country of origin labeling is required on food products. Korean language stickers can be applied at the port of entry. Korean importers will inform the U.S. exporters of the Korean labeling requirements before they import any products. Many food importers put Korean language label stickers on the packages in the bonded warehouses before products clear Customs House when they import in small quantities from the United States.

In June 1998, KFDA was legally delegated authority for food labeling standards. The KFDA Food Safety Policy Team is responsible for establishing labeling standards for food products. KFDA regional offices enforce labeling standards. Provincial government health officials also have the authority to enforce labeling standards.

With the exception of 102 meat, eggs, and dairy products, which are regulated by the MAF, all imported food products are required to be labeled with the necessary information in Korean. Stickers may be used instead of manufacturer-printed Korean language labels for general food products. The sticker should not be easily removable and should not cover the original labeling. For functional food items, however, stickers are not permitted. Manufacturer-printed Korean language labels must be used on such products.

There are many labeling requirements, such as nutritional labeling requirements, high caffeine content labeling requirements, use of emphatic terms in nutrient content labeling, functional food labeling requirements, organic labeling requirements for processed products,

organic labeling requirements, labeling standards for livestock products, labeling regulations for unprocessed GMO products, labeling standards for recombinant foods, liquor labeling requirements, country of origin labeling requirements, etc. For details on these specific labeling requirements please again refer to the Food and Agricultural Import Regulations and Standards (FAIRS) Reports – KS6080 dated July 28, 2006.

Labels should have the following inscriptions printed in letters large enough to be readily legible:

(1) Product Name. The product name should be identical to the product name declared to the licensing/inspection authority.

(2) Product type. This is mandatory for specially designated products, such as teas, health supplementary foods, etc.

(3) Importer's name and address, and the address where products may be returned or exchanged in the event of defects.

(4) Manufacture date (month, and year). This is mandatory for specially designated products, such as boxed lunches, sugar, liquor, and salts. For liquors, a manufacture number (lot number) or bottling date can substitute for the manufacture date.

(5) Shelf life. Food product labels should indicate the manufacturer-determined shelf life. If various kinds of products are packaged together, the shelf life expiration date of the product with the shortest life should be noted on the label.

(6) Contents. Weight, volume or number of pieces should be indicated. If the number of pieces is shown, the weight or volume must be indicated in parentheses.

(7) Ingredient names and content. Effective September 7, 2006, the names of all ingredients will have to be included on the Korean language label. Artificially added purified water and names of ingredients used to make a composite raw ingredient amounting to less than five percent of the product in weight will be excluded from the requirement. In case of a composite raw ingredient amounting to less than five percent of the product by weight, only the name of the composite raw ingredient must be listed on the Korean language label. In the case of a composite raw ingredient amounting to over five percent of the product by weight, the names of all ingredients contained in the composite raw ingredient must be listed on the Korean language label. Ingredients must be listed in order of predominance by weight, that is, the ingredient that weighs the most is listed first, and the ingredient that weighs the least is listed last. Food additives must also be listed by full name, abbreviated name, or purpose on the label (e.g. Ferric Citrate, FECitrate, or nutrient fortified substance). Food items known to be food allergens must be indicated on the label even if they are added as part of a mix at minimal levels. Food items considered as food allergens include eggs, milk, buckwheat, peanuts, soybeans, wheat, mackerel, crab, pork, peaches and tomatoes. Any food product containing one or more of the 11 items listed above as a raw ingredient(s) must indicate so on the Korean language label.

(8) Nutrients. Only special nutritional foods, health supplement foods, breads, noodles, retort foods, products for which nutritional labels are sought, and products for which a nutrient emphasis mark is desired are currently subject to nutritional labeling. However, in accordance with the March 2005 revision, beginning in September 2006, nutritional labeling requirements will be expanded to include foods frequently consumed by children such as chocolate, candy, snacks, cookies, chips, doughnuts, cakes, jams, beverages, etc. Details are provided in the "Nutritional Labeling Requirements" in the Food and Agricultural Import

Regulations and Standards (FAIRS) Reports. KFDA issued a draft revision of Labeling Standards for Food et al. on June 27, 2006. The draft revision proposes to introduce serving sizes and to require listing of sugar, trans fat, cholesterol, etc. on the nutritional label.

(9) Other items designated by the detailed labeling standards for food. This includes cautions and standards for use or preservation (e.g., drained weight for canned products, radiation-processed products, etc.).

The revision, dated July 2000, introduced the principal display panel labeling requirement, the labeling criteria for organic products, etc., and removed the food category labeling requirement for the majority of food products.

The principal display panel must contain the product name and content information. If this is not feasible, such information must be provided on a Korean language sticker using a 12-point or larger font size.

Categories exempt from labeling requirements

1. Agricultural products such as grains; fishery items, such as whole frozen fish; and fruits, that are not contained in a container or package, etc.
2. Foods, etc., to be used for manufacturing for a company's own use. (Documents that show such intent need to be provided.) In this case, the name of the product, the name of the manufacturer, and manufacture date or shelf life shall be indicated on the original package.
3. Products imported for the purpose of acquisition of foreign currency, under the provisions of Article 34 of the Ministerial Ordinance to the Foreign Trade Act.

G. Food Code and Food Additive Code (Administered by KFDA)

1. Food Code

The Food Code stipulates standards and specifications for manufacturing, processing, usage, cooking, storage of food and equipment, containers and packaging for food products. It specifies the standards for maximum residue levels of agricultural chemicals, antibiotics, synthetic antibiotics, hormones, radioactive ray standards, testing methods, etc. The Food Code contains general standards and specifications governing food products and individual standards and specifications for 126 food categories, delineated into 19 groups. A revision made on May 24, 2004 expanded the list of food products for which irradiation is permitted under the Food Code. Revision issued on April 8, 2005 and April 20, 2006 established new Maximum Residue Limits (MRLs) and modified existing MRLs and MRLs for veterinary drugs. The Food Code was last updated April 20, 2006.

2. Food Additive Code

The Food Additive Code defines standard specifications for individual food additives and usage standards. As of July 2006, the Food Additive Code lists standards for 424 types of chemical synthetics, 196 types of natural food additives, and 7 types of mixed food additives. Korea utilizes a "positive list" system for food additives meaning the only approved food additives are those that are approved for a specific use in the Additive Code. The latest revision, issued in December 2005, introduced a positive list for 1,834 synthetic flavorings.

H. Tariffs

Tariffs vary considerably from product to product. In general, tariff rates are higher for products that are produced domestically. Processed products and bulk products needed for local industries generally have lower tariffs. Exporters can contact the ATO for specific information on tariff rates.

I. Sanitary and Phytosanitary Certification Requirements – Animals, Meat & Plant

Sanitary and phytosanitary certificates issued by the exporting country's inspection authority are required for live animals, plants and meat products, such as beef, pork, poultry, etc. This requirement is in accordance with the Livestock Epidemics Prevention & Control Act, the Plant Protection Act, and the Livestock Processing Control Act. This section describes only the basic guidelines of Korea's import requirements. For details on Korean import regulation, see the Food and Agricultural Import Regulations and Standards (FAIRS) Reports – KS6080 dated July 28, 2006.

For the United States, the U.S. Department of Agriculture (USDA), Animal & Plant Health Inspection Service (APHIS), issues sanitary and phytosanitary certificates for live animals and plants, while the USDA, Food Safety & Inspection Service (FSIS), issues health certificates for meat products. The USDA, Agricultural Marketing Service (AMS) is responsible for the Beef Export Verification (BEV) program for the export of beef products to Korea.

Korea requires pre-approval of meat facilities, including slaughter plants, processors, warehouses, etc., prior to the export of product to the Korean market. Pre-approval is facilitated by registration with FSIS and being listed in the FSIS Meat, Poultry Inspection Directory and AMS's website under the BEV program. Further, it is advised that U.S. companies wanting to export meat products to Korea first verify that the supplying U.S. facilities are approved by Korea.

The "issuance date" of both health and phytosanitary certificates shall be prior to the "on-board date" listed on the Bill of Lading. The "inspection date" on a certificate must be prior to the departure date. To prevent unnecessary delay at the port of entry, the certificate "issuance date" should be prior to the departure date of shipments.

Current information on which U.S. livestock and poultry products are eligible for export to the Korean market can be found on the website of the USDA, FSIS at [http://www.fsis.usda.gov/Regulations & Policies/Republic of Korea Requirements/index.asp](http://www.fsis.usda.gov/Regulations_Policies/Republic_of_Korea_Requirements/index.asp). This website also provides guidance regarding what documents must accompany livestock product shipments destined for Korea.

J. Product Certification Forms

Plant and meat quarantine inspections are very strict in Korea. No plant and meat products will clear Korean Customs without the necessary certificates and required information.

Eligible product

1. Boneless beef derived from animals that were born and raised in the U.S. or legally imported from Mexico and resident in the U.S. for at least 100 days prior to slaughter. Boneless beef must be derived from animals less than 30 months of age that were slaughtered on or after September 11, 2006. Cheek meat, diaphragm, trimmings, tongue, ground meat, advanced meat recovery products, all offals and variety meats,

and processed products are excluded. Eligible boneless beef must be produced under an approved AMS Export Verification (EV) program for beef to Korea. Information about the EV program for Korea and a list of EV approved establishments can be obtained from the following website: <http://www.ams.usda.gov/lsg/arc/bev.htm>

2. Poultry and poultry products.
3. Pork products
4. Nongravid pork uteri from gilts and unscalded stomachs and intestines may be exported as edible product.
5. Pork Casings
6. Pork Bones

Note: Exporters should work closely with importers to assure that bones comply with any classification requirements of Korean Customs.

7. Protein-free tallow (see Documentation Requirements below).

Ineligible product

1. All ruminant and ruminant products, including meat, viscera and their products (except for boneless beef meeting the requirements indicated above and protein-free tallow).
2. Imported meat and poultry and meat and poultry products are not eligible for direct re-export or for re-export after processing in the U.S.
3. Equine meat.

Certification Forms

1. Certificates for Boneless Beef
 - a. FSIS Form 9060-5 (July 19, 2001), Meat and Poultry Export Certificate of Wholesomeness
 - b. FSIS Form 9305-4 (June 7, 2006), Certificate for Export of Meat to the Republic of Korea
2. Certificates for Pork and Pork Products
 - a. FSIS Form 9060-5 (May 6, 1999), Meat and Poultry Certificate of Wholesomeness
 - b. FSIS Form 93-5-5 (January 12, 2004), Certificate for the Export of Pork Meat to the Republic of Korea
3. Poultry Products
 - a. FSIS Form 9060-5 (May 6, 1999)
 - b. FSIS Form 9305-2A (April 28, 2005)
4. Pork Casings
 - a. FSIS Form 9060-7
 - b. FSIS Form 9305-5 (January 12, 2004)
5. Protein-Free Tallow
 - a. FSIS Form 9060-5
6. Fresh Products: Fresh fruits, vegetables and nuts must be accompanied by:

- a. Phytosanitary Certificate, PPQ Form 577, issued by USDA/APHIS (Animal & Plant Health Inspection Service)
- b. Some fresh products are prohibited and others require additional documentation besides Form 577. NPQS should be consulted about specific documentation for each particular product.

The issuance date of the phytosanitary certificate shall be prior to the departure date listed on the Bill of Lading. Also, the inspection date on a certificate must be prior to the departure date.

7. Frozen Fruits and Vegetables must be accompanied by either one of the following:
 - a. Certificate of Quality and Condition, Form FV-146CS issued by USDA/AMS (Agricultural Marketing Service)
 - b. Export Certificate PPQ Form 578, issued by USDA/APHIS
8. Vacuum Packed Shelled Walnuts must be fumigated according to the schedules agreed between USA and Korea and accompanied by a Phytosanitary certificate, PPQ Form 577, issued by USDA/APHIS

K. Bt 10 Free Certification

On March 25, 2005, KFDA announced that unprocessed U.S. food corn shipments loaded after March 25, 2005 must be tested and certified as free from Bt10 and Bt11 corn prior to export to Korea. Subsequently, KFDA changed import measures imposed on U.S. food corn shipments with regards to Bt 10 as follows:

Effective June 15, 2005, a Bt 10 free certificate issued by GeneScan is required for U.S. food corn shipments (kernel corn). Besides a Bt 10 free certificate, Bt 10 testing is required for the first shipments of U.S. origin food corn accompanied by a Bt 10 free certificate and will be conducted for each discharging vessel. After passing Bt 10 testing, subsequent shipments of the same product from the same supplier (and from the same loading facilities) will be tested only when they become subject to random inspection or laboratory spot inspection if necessary. A Bt 10 test certificate is required for subsequent shipments although they are exempt from Bt 10 testing by KFDA. White corn, sweet corn, waxy corn, and popcorn are exempt from all Bt 10 related requirements.

L. Sample Shipments

For sample shipments, Bill of Lading/Airway Bill, Packing List, and Invoice are usually required if the market value of sample products are considered as samples. However, a phytosanitary certificate and a meat export certificate are required for products subject to quarantine inspection even if they are shipped as samples. It is recommended that "Sample Shipment" be written on the related sample documents.

M. Minimum Amount of the Initial Commercial Shipment

On May 15, 2000, KFDA issued a revision to the Guideline for Inspection of Imported Food Products adding a clause setting limits on the minimum amount of the initial commercial shipment that it would inspect directly. When the quantity of the imported food is less than 100 kg, the imported food will be inspected by a KFDA-recognized inspection organization – other than regional KFDA office or National Quarantine Services. Importers shall be responsible for charges associated with import inspection. Detailed information is available from the KFDA's English website: <http://www.kfda.go.kr>.

N. Laboratory Testing and Its Fee

On August 18, 2003, MHW issued a revision of the Ministerial Ordinance of the Food Sanitation Act that required laboratory testing for agricultural products every year and for processed products every three years, notified to the WTO under SPS 123. In response to concerns expressed by several WTO members including the United States, the Korean government reduced the number of chemicals to be tested for and lowered the testing fee on May 21, 2004. On July 27, 2005, MHW announced the revision of the Ministerial Ordinance to the Food Sanitation Act to address WTO members' concern with regard to SPS 123. The revision included changes to Korea's import inspection procedures for agricultural and processed food products, returning to practices in place before Korea's January 2003 notification that imposed stricter import procedures notified as SPS 123.

In addition, on August 5, 2005, KFDA announced a revision of the Import Inspection Guidelines. The revision lists agriculture and food products that are exempt from mandatory laboratory testing on the grounds that the listed products have not had any violations for the past five years. Food products with no record of violations resulting from past lab tests, and recognized by the KFDA Commissioner as safe, became subject to a document inspection only. The U.S. origin products covered under the regulations include: oranges, lemons, wheat, cherries, grapefruit, table grapes, frozen cod, frozen cod roe, frozen and chilled monkfish, biscuits, roasted coffee, and vegetable cream. The revisions also reduced the fees for chemical residue testing for agricultural products from about \$2,000 to \$500.

O. Copyright and/or Trademark Laws

The Korea Industrial Property Office is responsible for registration of trademarks and for review of petitions related to trademark registration. In accordance with the Trademark Law, the trademark registration system in Korea is based on a "first-to-file" principle. A person who registers a trademark first has a preferential right to that trademark and Korean law protects the person who has the right over the trademark. To prevent trademark disputes, U.S. companies considering conducting business in Korea are encouraged to register their trademarks prior to beginning their business operations.

P. Packaging & Container Requirements

"Standards & Specifications for Equipment and Container/Packaging" established by KFDA and printed in Chapter 6 of the Korean Food Code, includes general standards for equipment, container and packaging for food products and specifications for individual packaging materials.

The Ministry of Environment announced regulations in 1999 covering PVC shrink wrap packaging, which went into effect January 1, 2001.

Containers or packages that can be recycled must carry a "separation and discharge" sign. In accordance with the Act on the Promotion of Saving and Recycling of Resources, containers or packages that are made using paper, metal, glass, and plastic materials shall be marked with a "separation and discharge" sign. The sign is to facilitate the recycling of wastes. The sign should indicate the type of material the package is composed of, for example, PET, HDPE, LDPE, PP, PS, or PVC. "Other" should be used for containers or packaging made of plastic materials. For metals, either iron or aluminum should be indicated. Either a printed label or a sticker label is acceptable. This requirement has been in place since January 1, 2003.

Q. U.S. Laboratories Authorized to Inspect on Behalf of the Korean Government

KFDA operates a program that recognizes foreign laboratories as official testing laboratories. This program aims to enhance the efficiency of conducting inspection of imported foods. KFDA authorizes foreign laboratories and recognizes inspection certificates or certificates of laboratory test results issued by these authorized laboratories. As of now, there are two U.S. laboratories that have been authorized by KFDA. They are:

1. Oregon Department of Agriculture's Export Service Center

The Oregon Department of Agriculture's Export Service Center (ESC) is a one-stop technical assistance center for U.S. food manufacturers and exporters. It is designed to reduce obstacles for exporting products. The ESC has been certified by the Korean Food & Drug Administration to do food-related testing, such as residue and microbiological testing on food and beverages and food package testing, for products bound for Korea. A certificate of inspection from this lab usually expedites clearance inspections at Korean Customs. The ESC offers a range of technical services, including product evaluation and certification. It will evaluate products for foreign country requirements and issue a certificate that minimizes the chances of product rejection. For more information on the services which the Export Service Center provides contact:

**Oregon Department of Agriculture
Export Service Center**

1200 N.W. Naito Parkway, Suite 204
Portland, Oregon 97209-2835
Tel: 503-872-6644; Fax: 503-872-6615
E-mail: esc-food@oda.state.or.us

2. Omic USA Inc.

Omic USA is the second U.S. laboratory to be recognized by the Korea Food & Drug Administration as an official foreign testing laboratory. OMIC USA has been certified to conduct testing on agricultural products, processed food products including health functional food, which are bound for Korea. The contact information follows:

Omic USA Inc.

Mr. Ryuichi Kurosawa, President
1200 N.W. Naito Parkway
Portland, Oregon 97209
Tel: 503-224-5929; Fax: 503-223-9436

R. Documents Generally Required when food is imported

Invoice
Bill of Lading, or Airway Bill
Packing List
Certificate of Origin (not required if there is "Made in USA" on the label.)
Names of all ingredients with percentage of major ingredients
Processing Method
Certificate of Production Date
Packing Material (not required for bottles, cans and paper packages)
Non-biotech (certification for corn, soybeans and potatoes)
Sanitary certificate (for meat, fruit, nuts, vegetables, plants, grains, etc.)

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Local eating habits have changed dramatically in recent years. A diet that has long been based on rice has become progressively more centered on wheat and protein. For instance, per capita rice consumption has decreased from 130 kilograms in 1984 by about 40 percent to 82 kilograms in 2004 over the past 20 years. At the same time, consumers are seeking more diversity and are becoming more quality oriented. Consumption of fish, fruits and vegetables has also increased. Consumer preferences are shifting toward foods that are convenient to cook rather than those that require lengthy preparation. At the same time, demand for greater quality in terms of flavor and nutrition has increased. Consumers are becoming more health and safety conscious in their food buying habits, as ingredients, packaging, shelf life and toxicity are becoming important determinants of purchasing behavior. Spending habits are also becoming more diversified, as individual preferences and a wider variety of foods are available to meet consumer demands. These shifts toward quality, variety, convenience, safety and health have resulted not only in increased consumption of processed food, but have also stimulated the growth of the domestic food processing industry.

A. Retail Food Sector

Food sales through all retail market channels except traditional markets grew in 2005. Sales through traditional markets contracted by 8.4 percent. Retail market food sales are expected to show substantial growth in 2006 except for traditional markets. On-line sales constitute a rapidly growing segment of retail food sales. Korea's high level of internet connectivity and increasing focus on convenience and variety bodes well for future development of on-line sales. Products purchased on-line are also becoming more diverse from cosmetics to electronics to health foods. Most of the leading off-line mass retailers now operate Internet stores and offer home-delivery to compete in the segment.

Table 3. Food and Non-food Retail Market Sales in Korea

Segment	2004 Sales	2005 Sales	Growth %
Hypermarkets	\$22.4 billion	\$24.5 billion	9.4%
Traditional Market	\$37.1 billion	\$34.0 billion	-8.4%
Department Stores	\$17.2 billion	\$17.9 billion	4.0%
On-line Shopping	\$13.2 billion	\$15.9 billion	20.5%
Convenience Stores ¹	\$4.3 billion	\$4.8 billion	11.6%
Supermarkets ²	\$2.1 billion	\$2.3 billion	9.5%

Exchange rate: \$1 = 960 Korean won

¹/ Total sales of the eight largest convenience store chain companies only.

²/ Total sales of the 11 largest supermarket chain companies only.

Sources: The Yearbook of Retail Industry 2006

Table 4. Receipts from Food Sales for Each Retail Format

Year 2005	Percent of Food Sales
Department Stores	11.1%
Hypermarkets	53.3%
Supermarkets	82.0%
Convenience Stores	48.8%
On-line Shopping	7.7%

Source: Distribution Industry Yearbook 2006

There are several types of outlets that handle food and agricultural products. They include general market places (e.g., conventional open air markets), periodic market places in rural areas (normally open once every 5 days), department stores, hypermarkets, shopping centers, and supermarkets (super chain companies and several thousand independent small supermarkets and outlets), convenience stores, mom and pop stores, National Agricultural, Fishery and Livestock Cooperative Federation (NAFC) stores and discount stores or membership-type warehouse stores.

Most retailers purchase imported food products from importers and/or wholesalers. Few retailers import food products directly. U.S. exporters should contact distributors and importers, along with retailers to market their products.

Currently, the customs clearance process is cumbersome and costly and generally not cost effective to bringing in mixed container loads. Instead importers bring in full containers of a particular product, store in-country or distribute to retailers or other distributors. Very few Korean retailers import food products directly, rather they buy these products from importers.

1. Department Stores/Shopping Centers. According to the Korea Super Chain Association (KOSCA), the total sales of department stores and shopping centers amounted to \$17.9 billion in 2005. Daily sales for an typical department store averaged \$559,375 with 15,957 average daily customers in 2005. Food and beverage sales accounted for 11.1 percent of department store receipts in 2005. The three main department stores in Korea are Lotte, Shinsegae and Hyundai. Future prospects for department stores sales are not bright because of competition with hypermarkets and discount stores. This industry grew about 4 percent growth in 2005 over the previous year.

2. Supermarkets. The total sales of supermarkets amounted to \$2.3 billion in 2005. Average daily sales of the supermarkets surveyed by KOSCA were \$20,313 per store with 1,367 average daily customers per store in 2005. Of the average sales per outlet, food sales accounted for 82 percent of all receipts. The major players in this market are GS Supermarket, Lotte Supermarket and Top Mart. This industry enjoyed about 9 percent growth in 2005 over the previous year.

3. Convenience Stores. According to the KOSCA report, there were 9,085 outlets in 2005, up from 8,247 outlet. The total sales of the 8 convenience store companies surveyed by KOSCA were \$4.8 billion in 2005, a 12.4 percent increase from \$4.3 billion in 2004. The average daily sales per store was \$1,605 with 525 average daily customers in 2005. Of total sales, food and beverage sales accounted for 48.8 percent in 2005, compared to 52.7

percent in 2004. This sector is expected to grow about 10 percent per year over the next few years as the number of outlets increases rapidly.

4. Hypermarkets/Discount Stores. This is one of the fastest growing segments in the retail sector. Total sales of hypermarkets were \$24.5 billion in 2005, up from \$22.4 billion in 2004. The three big players in this sector (E-Mart, Home Plus and Lotte Mart) accounted for 67 percent of the sector's total sales in 2005. Average daily sales of the 307 discount stores surveyed by KOSCA in 2005 amounted to \$296,875 with 6,557 average daily customers per store. Of the average sales per store, food and beverage products accounted for 53.3 percent. In 2005 there were big changes in the discount store industry. Walmart Korea sold its 16 stores to Shinsegae for \$882 million. Carrefour sold its 32 stores to E-land for \$1.82 billion. Media reports speculate that difficulties in adapting to Korean retail sector characteristics contributed to Walmart and Carrefour's decisions to liquidate investments in Korea. Sales for this sector are expected to grow over 10 percent every year over the next couple of years, as the number of outlets continues to increase.

For further detailed information on the retail food sector in Korea, please refer to the Retail Sector Report; KS4009 dated February 23, 2004.

B. Hotel, Restaurant and Institutional (HRI) Industry

The Monthly Statistics of Korea (August 2006 Issue) shows that the average monthly expenditures on food and beverages per household in cities in 2005 amounted to \$574, accounting for 22.4 percent of a typical household's total expenditures. Expenditures on restaurant meals have been increasing rapidly and accounted for 46.4 percent of the total expenditures Koreans made on food and beverages in 2005.

Table 5. Average Monthly Expenditures on Food Items per Household in cities in 2005

Food Items	US\$	Percent
Cereals and bread	47.71	8.30%
Meat	44.17	7.69%
Vegetables & seaweeds	42.19	7.34%
Fruits	35.52	6.18%
Fish and shellfish	33.85	5.89%
Bakery & confectioneries	24.06	4.19%
Dairy products	23.65	4.12%
Tea, soft drinks & Alcoholic beverages	23.44	4.08%
Oils, fats & seasonings	18.44	3.21%
Other foods	14.9	2.59%
Restaurant meals	266.56	46.40%
Total Expenditure	574.49	100.00%

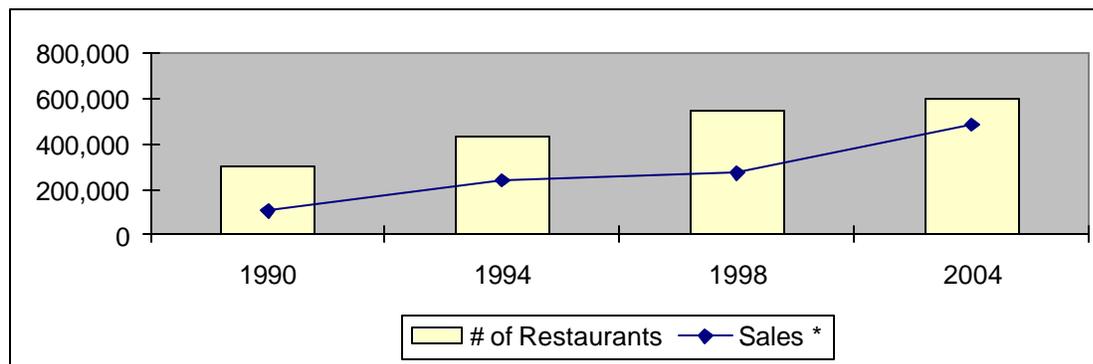
\$ = 960 won

Source: Monthly Statistics of Korea, August 2006

The Korean food service sector garnered \$50.4 billion of cash register sales in 2004. The total number of restaurants was estimated at 600,234 providing employment for 1.56 million employees. However, over 90 percent of restaurants were small family-owned businesses

that hired less than five employees. Average annual sales per restaurant amounted to \$84,000 in 2005.

Chart 2: Growth of the Korean Food Service Sector



* Note: Annual cash register sales in ₩100 million

Source: Korean government statistics (Jan. 2006)

1. Hotel Segment. The hotel sector, especially five and four star hotels that operate in-house, premium restaurants, has played a leading role for the entry of new-to-market food products and recipes. It also has served as an efficient venue for promotional activities, including menu promotions, product launchings and product seminars. Currently, food and beverage sales are estimated to comprise 40-50 percent of total sales in five and four star hotels. Some leading hotels, including the Shilla and the Westin Chosun, have greatly expanded their food service businesses and currently operate stand-alone food outlets of various formats outside of the hotel, including microbrew pubs, food courts, coffee shops, bakery shops and premium gourmet restaurants. Although the role played by hotels in the food service market is on a gradual decline due to the growth of restaurants on the street, it is likely that the sector will remain the leading distribution channel for premium, high-quality imported food and beverage items in the near future.

2. Restaurant Segment. Although declining in number due to the rapid growth of restaurants serving international cuisines, traditional Korean food restaurants are still the most numerous. It is, however, becoming more difficult to distinguish Korean menus from foreign ones, as more diverse recipe ideas and food styles are introduced, fusing traditional menus with new-to-market recipes and ingredients. At the same time, foreign dishes served in restaurants in Korea are somewhat 'Koreanized' in terms of the taste, ingredient, and cooking style. In particular, local consumers prefer less salt, fat and oil, while eating more hot spices, vegetables, seafood and soup.

Table 6. Profile of Major Quick Service Western Restaurant Chains (Year 2005)

Company	Brand	Annual Sales	No. of Outlets	Change in 2005
Genesis	BBQ	542 Million	1800	+100
Lotteria	Lotteria	\$396 million	800	-39
Shinmac	McDonald's	\$291 million/1	305	-23
SRS Korea	KFC	\$167 million	179	-16
	Burger King	\$73 million	94	+3

TS Haemaro	Popeye's	\$104 million/2	160	-20
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Exchange rate: \$1 = 960 Korean won

¹/ Total sales in 2002

²/ Total sales in 2004. They refused to expose their sales.

Source: Korea Food Distribution Yearbook 2006

Table 7. Profile of Major Family Restaurant Chains (Year 2005)

Company	Brand	Annual Sales	No. of Outlets	Change in 2005
Ojjung	Outback Steak	\$229 million	70	+20
CJ Foodvill	VIPS	\$135 million	41	+19
Lotte	TGIF	\$115 million	39	+6
Rise On	Bennigan's	\$103 million	26	+6
Amoje	Marché	\$31 million	9	0
Barons	Sizzler	\$21 million	7	+1
Sunat Food	Tony Romas	\$16 million	7	0

Exchange rate: \$1 = 960 Korean won

Source: Korea Food Distribution Yearbook 2006

Table 8. Profile of Major Pizza Restaurant Chains (Year 2005)

Company	Brand	Annual Sales	No. of Outlets	Change in 2005
Pizza Hut Korea.	Pizza Hut	\$417 million	340	0
DPK International	Domino's Pizza	\$208 million	280	+33
Mister Pizza Korea	Mister Pizza	\$188 million	250	+30
Pizza Ethang	Ethang	\$83 million	270	+108
PJI Korea	Papa Johns	\$12 million	39	0

Exchange rate: \$1 = 960 Korean won

Source: Korea Food Distribution Yearbook 2006

Table 9. Profile of Major Coffee Shop Chains (Year 2005)

Company	Brand	Annual Sales	No. of Outlets	Change in 2005
Starbuck's Korea	Starbuck's	\$96 million	148	+39
Coffee Bean Korea	Coffee Bean	\$48 million	43	+9
Lotteria	Java Coffee	\$38 million	303	+36
Hollys Coffee	Hollys	\$18 million	56	+17

Source: Korea Food Distribution Yearbook 2006

3. Institutional Food Service Segment. Institutional food service restaurants are growing, as more office workers and students, seeking cheaper meal options, are switching to in-house contract feeding restaurants for their lunches and dinners. The cash register sales for 2005 were estimated at \$6.3 billion, about 50 percent of which was taken in by third-party commercial institutional food service providers. Another half of the market was taken by restaurants directly operated by the company or school. Commercial institutional food service providers are expected to further increase their market shares in the coming years, as more organizations seek cheaper and more efficient way to provide quality meals for their employees and students.

Table 10. Profile of Major Institutional Food Service Companies (Year 2005)

Name of Company	Annual Sales	No. of Outlets	Change in 2005	No. of Meals Serving Daily
Our Home	\$604 million	580	-20	690,000
Samsung Everland	\$569 million	500	+20	600,000
CJ Food System	\$646 million	580	-15	500,000
G-Net (Hyundai)	\$281 million	320	-60	300,000
Shinsegae Food System	\$249 million	400	+80	300,000
Arakor	\$104 million	360	+40	250,000
ECMD	\$107 million	300	+20	200,000
Foodist	\$98 million	218	+15	180,000

Source: Korea Food Distribution Yearbook 2006

For further detailed information on the hotel, restaurant and institutional industry in Korea, please refer to the HRI Food Service Sector Semi-Annual Report – KS5009 dated February 14, 2005.

C. Domestic Food Processing Sector

The Korean food and beverage manufacturing and processing industry is a major consumer of imported raw materials, intermediate products, ingredients and additives. Imports are necessary to support the processing industry because local production cannot meet the demand. Except for rice and certain dairy products, Korea imports almost all types of agricultural products for processing. Corn, soybeans, wheat, essential oils, frozen concentrated orange juice, turkey meat, duck meat, almonds, walnuts, powdered milk, whey powder are good examples of the raw materials or ingredients imported into Korea for use in food processing. U.S. suppliers have a strong opportunity to export raw materials or ingredients for use in food processing in Korea. The total production of food, foodstuffs and beverages is estimated at \$49.8 billion in Korea in 2004.

Table 11. Output of Food Processing by Sector: 2004

Food Processing Sector	Gross output (\$million)	Share (%)
Meat processing	5,678	11.4%
Grain processing	5,398	10.8%
Dairy & Ice cream	5,298	10.6%
Feed processing	5,115	10.3%
Alcoholic beverages	4,467	9.0%
Non-alcoholic beverages	3,662	7.4%
Coffee, tea, soup & other foods	3,363	6.8%
Fish and seafood processing	3,158	6.3%
Seasonings, spices & Food additives	2,670	5.4%
Bread & Grain preparations	2,622	5.3%
Noodles and similar products	2,068	4.2%
Cocoa & sugar confectionery	1,510	3.0%
Fats & Oils manufacturing	1,478	3.0%
Fruit & Vegetable Processing	1,441	2.9%
Starch & Sweeteners manufacturing	950	1.9%
Sugar manufacturing	880	1.8%
Total	49,758	100.0%

Source: Report on Mining and Manufacturing Survey, Dec. 2005

Most Korean food and beverage manufacturers are small-scale companies. As of the end of 2004, there were 8,051 food, livestock, dairy and beverage manufacturing plants with five or more employees. Of these, there are only 19 manufacturers with 500 employees or more. Less than 4 percent (308 manufacturers) have 100 or more employees.

For further detailed information on the Korean food processing industry, please refer to the Food Processing Ingredients Sector Report – KS4011 dated February 27, 2004.

D. Trends in Holiday Sales

There are two major holidays in Korea when sales dramatically increase: In 2007, the three-day Lunar New Year Holiday will take place on February 17, 18 & 19, 2007 and the three-day Chusok (Korean Thanksgiving) holiday will take place on September 24, 25 and 26, 2007. During these holidays, many Koreans give gifts to their relatives, friends and business associates. Beef ribs, fruits and other high value food products are popular during these holidays. Retailers conduct special promotions to market holiday food gifts.

E. E-Commerce

E-Commerce sales in Korea include TV home shopping, internet shopping and mobile phone shopping. The popularity of e-commerce marketing channels is bolstered by the high level of internet connectivity and mobile phone use in Korea. There are five TV home shopping companies in Korea, approved by the government, which sell their products in a variety of ways including catalogs, internet sales, and television sales programming. The total e-commerce sales amounted to about \$15.9 billion in 2005, a 20 percent increase from \$13.2

billion in 2004. Receipts attributable to food sales accounted for about 7.7 percent of all e-commerce receipts in 2005. For more information about food sales through e-commerce marketing channels see ATO Seoul's report on "Home Shopping -- KS6085 available under Attaché Reports at: <http://www.fas.usda.gov/>

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Product Category	2005 Market Size (1,000 MT)	2005 Imports : (\$ Mil) Total: USA:	5 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Beef	317	670 0	14.3%	Beef: 40%	Bone-free requirement for U.S. beef. .	Korea was the 3 rd largest U.S. beef market prior to BSE ban.
Pork	838	591 133	27.2%	22.5-25%	High tariff.	Strong demand as a substitute for beef.
Poultry Meat	385	87 33	3.3%	*18-27%	Not manually trimmed. Imports other than legs are small.	Selected U.S. cuts (legs, etc.) are price-competitive.
Citrus	790	128 123	16.8%	Orange: 50% Grapefruit : 30% Lemon: 30%	High tariff rates.	The U.S. is the predominant supplier.
Hay & Fodder	NA	305 113	13.1%	Alfalfa: 1% Others: 2-100.5%	Tariff rate quotas apply.	U.S. product is considered high quality.
Chocolate	NA	120 39	13.4%	8%	High quality products are not well known in Korea.	Competitive in prices and design for medium quality products.
Whey	NA	87 23	11.2%	20-49.5%	Prices are fluctuating.	Good quality, competitive prices and local production is limited.
Wine	NA	68 9	48.3%	15%	Fewer varieties than French. Chilean wine subject to lower tariffs as a result of FTA.	Consumption is growing rapidly
Fish and Seafood	3,885	2,300 144	14.4%	*10-20%	Transportation costs can make U.S. prices higher than those of competitors.	Good quality
Bread, cakes, pastry, etc.	NA	96 26	25.5%	8%	Higher prices.	Good quality
Nuts	NA	62 54	41.3%	Almond: 8% Pistachio: 30% Walnut: 30%	Tariffs are high for pistachios & walnuts. Phyto-sanitary requirements for in-shell walnuts are onerous.	U.S. is a dominant supplier.

*The tariff rates differ widely depending upon the product. For specific tariff rates, please contact ATO Seoul.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION**KEY FAS/USDA 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@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@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

APPENDIX. STATISTICS**Table A. KEY TRADE & DEMOGRAPHIC INFORMATION**

Agricultural Imports From All Countries (\$Mil) / U.S. Market Share (%) ¹	15,475/18.9
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%) ¹	4,187/19.6
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%) ¹	2,301/6.2
Total Population (Millions) / Annual Growth Rate (%)	48.3/ 0.44
Urban Population (Millions) / Annual Growth Rate (%) ²	36.8/1
Number of Major Metropolitan Areas ³	7
Size of the Middle Class (Millions) / Growth Rate (%) ⁴	N/A
Per Capita Gross Domestic Product (U.S. Dollars) ⁵	\$20,400
Unemployment Rate (%)	3.7
Per Capita Food Expenditures (U.S. Dollars) ⁶	\$575
Percent of Female Population Employed ⁷	48.4
Exchange Rate (US\$ = Korean won) ⁸	1,013

All data are for 2005 unless otherwise noted.

Foot Notes

¹ / Korea Trade Information Service (KOTIS), compiled by ATO Seoul

² / Urban population in 2000 and average annual growth rate between 1995 & 2000

³ / Population in excess of million people in 2000

⁴ / Official data is not available

⁵ / Purchasing power parity basis estimate. Source: <https://www.cia.gov>

⁶ / Average monthly household expenditures in cities on food and beverage

⁷ / % of women employed against total number of women (15 years old or above)

⁸ / Year-end exchange rate of Korean won against the U.S. dollar in 2005.

Table B. KOREAN CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
CONSUMER-ORIENTED TOTAL	3,564	3,480	NA	1,551	1,551	NA	44%	23%	NA
Snack Foods (Excl. Nuts)	154	157	NA	39	39	NA	25%	25%	NA
Breakfast Cereals & Pancake Mix	6	9	NA	2	2	NA	25%	30%	NA
Red Meats, Fresh/Chilled/Frozen	1,370	950	NA	901	901	NA	66%	15%	NA
Red Meats, Prepared/Preserved	47	41	NA	21	21	NA	44%	26%	NA
Poultry Meat	96	52	NA	35	35	NA	37%	9%	NA
Dairy Products (Excl. Cheese)	86	144	NA	14	14	NA	16%	10%	NA
Cheese	94	120	NA	17	17	NA	18%	17%	NA
Eggs & Products	16	16	NA	6	6	NA	34%	33%	NA
Fresh Fruit	278	336	NA	126	126	NA	45%	45%	NA
Fresh Vegetables	76	92	NA	11	11	NA	14%	13%	NA
Processed Fruit & Vegetables	388	481	NA	98	98	NA	25%	25%	NA
Fruit & Vegetable Juices	105	99	NA	42	42	NA	40%	33%	NA
Tree Nuts	37	49	NA	32	32	NA	86%	85%	NA
Wine & Beer	60	73	NA	11	11	NA	18%	16%	NA
Nursery Products & Cut Flowers	32	41	NA	1	1	NA	0.81%	1%	NA
Pet Foods (Dog & Cat Food)	51	52	NA	28	28	NA	54%	45%	NA
Other Consumer-Oriented Products	667	767	NA	169	169	NA	25%	23%	NA
SEAFOOD PRODUCTS TOTAL	1,823	2,088	NA	143	128	NA	8%	6%	NA
Salmon	19	27	NA	1	1	NA	7%	0.63%	NA
Surimi	120	112	NA	53	51	NA	44%	46%	NA
Crustaceans	310	412	NA	7	7	NA	2%	2%	NA
Ground fish & Flatfish	711	708	NA	64	53	NA	9%	8%	NA
Mollusks	202	239	NA	1	1	NA	0.37%	0.58%	NA
Other Fishery Products	461	590	NA	17	14	NA	4%	2%	NA
CONSUMER & FISHERY TOTAL	5,387	5,568	NA	1,694	1,679	NA	31%	30%	NA

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

NA - Data not available (not reported)

Table C: TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Table C-1: CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400

Reporting Country: Korea, Republic of Top 15 Ranking	Import		
	2003	2004	2005
	1000\$	1000\$	1000\$
United States	1,550,617	809,716	NA
China (Peoples Republic of)	416,435	501,918	NA
Australia	304,980	487,858	NA
New Zealand	163,958	280,987	NA
Philippines	143,927	139,185	NA
France	90,667	134,830	NA
Japan	104,184	125,644	NA
Netherlands	67,137	107,896	NA
Denmark	51,670	91,741	NA
Thailand	115,684	85,853	NA
Chile	50,006	80,641	NA
Canada	71,874	79,725	NA
Belgium	54,747	77,054	NA
Germany	40,612	57,562	NA
Brazil	47,481	48,987	NA
Other	290,003	370,618	NA
World	3,564,017	3,480,242	NA

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

NA - Data not available (not reported)

Table C-2: FISH & SEAFOOD PRODUCTS

Reporting Country: Korea, Republic of Top 15 Ranking	Import		
	2003	2004	2005
	1000\$	1000\$	1000\$
China (Peoples Republic of)	693,934	877,270	NA
Russian Federation	297,958	276,425	NA
Japan	143,545	175,118	NA
Vietnam	127,882	140,773	NA
United States	142,858	127,761	NA
Thailand	93,364	104,417	NA
Taiwan (Estimated)	42,565	61,552	NA
Canada	49,675	43,350	NA
Norway	24,621	34,280	NA
Indonesia	23,190	25,333	NA
India	17,404	23,975	NA
Philippines	19,690	20,980	NA
Chile	16,816	18,083	NA
Hong Kong	3,686	12,273	NA
Peru	6,355	10,295	NA
Other	119,480	136,269	NA
World	1,823,015	2,088,164	NA

NA - Data not available (not reported)

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office