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Report Highlights:
South Korea is the fifth largest market for U.S. agricultural products. Total imports of agricultural products amounted to $17.2 billion in 2006 and are estimated to reach $20 billion in 2007. U.S. food exports to Korea currently account for about 20 percent of the overall market. U.S. market share should increase after implementation of the Korea-U.S. Free Trade Agreement (KORUS FTA) which is expected to generate more opportunities for U.S. food and agricultural products than any agreement since NAFTA.

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Disclaimer

This report was prepared by the Agricultural Trade Office of the U.S. Embassy in Seoul, Korea. Korean policy and regulation is subject to occasional change and revision. Please check for updated reports and verify Korean import requirements with your Korean customers to ensure you have the most up-to-date information prior to shipping. FINAL IMPORT APPROVAL OF ANY PRODUCT IS SUBJECT TO THE IMPORTING COUNTRY'S RULES AND REGULATIONS AS INTERPRETED BY BORDER OFFICIALS AT THE TIME OF PRODUCT ENTRY.

SECTION I. MARKET OVERVIEW

Korea was the world's 11th largest economy in 2006[1] with a GDP of $1.196 trillion on a purchasing power parity (PPP) basis. Per capita GDP (PPP) in Korea was $24,500 in 2006. South Korea's central bank forecast 2007 economic growth at 4.5 percent. GDP growth in 2008 is projected at 5 percent by Samsung Economic Research Institute.

Although actual growth of Korea's export-oriented economy will depend on external conditions including the international price of oil, it is clear that Korea will remain one of the top markets for U.S. food and agricultural products for the foreseeable future. In part, demand for U.S. products is driven by Korean consumer trends which are converging with consumers trends 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 meat, coffee, wine, sauce preparations, and confectionery items is growing and the domestic processing industry lacks the capacity to supply these items.

The Korea-U.S. Free Trade Agreement (KORUS FTA) concluded in early 2007 is expected to deepen the longstanding alliance between the United States and Korea. With respect to agricultural and food, the KORUS FTA is expected to create more opportunities for U.S. exporters than any agreement since NAFTA. The KORUS FTA is currently pending in the National Assembly of Korea and the U.S. Congress; it must be ratified by both before it is implemented.

The KORUS FTA will reduce Korean import tariffs on U.S. beef among many other products. Chilled, frozen and processed beef cuts accounted for roughly $750 million in U.S. exports to Korea prior to 2003[2]. Reopening of the market in 2007 to deboned skeletal muscle beef has already resulted in $65 million in U.S. beef exports (Jan. to Jul) and should allow the market to recover to well over $100 million by the end of 2007. Exports of bone-in beef and other beef cuts should recover presuming the Korean government decides to accept the World Animal Health Organization's announcement in May 2007 that the United States has controlled risk of bovine spongiform encephalopathy (BSE).

In addition to the recovery in beef exports, other consumer-oriented products are showing significant growth in 2007. Imports of U.S. consumer-oriented product such as pork, pastries, cherries, coffee, confectionery products, processed meats and wine are all growing substantially. In the past, bulk and intermediate products, such as hides and cotton,

[1] Source: World Factbook
[2] Source: U.S. Trade Exports - FAS commodity aggregations

accounted for a larger portion of U.S. agricultural exports to Korea. However, the market for these bulky and intermediate products has been fairly flat as industries such as tanning and textile increasingly shift their processing facilities to lower-cost locations. Total imports of bulk products in 2006 increased only 1 percent from 2005 after a 12.7 percent decline in 2005. However, growth in overall U.S. agricultural exports to Korea is now being driven by increased demand for consumer-oriented products which increased by 16.4 percent in 2006.

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 and the surrounding metropolitan area Incheon and Kyunggi Province. Together, the Seoul metropolitan area accounts for about 48 percent of the total population. Also, the Seoul metropolitan area currently houses about 84 percent of government bodies and institutes, 88 percent of Korea's 30 largest companies and 65 percent of the top-20 universities in the nation.

This concentration of population in the Seoul metropolitan area along with an efficient distribution system allows suppliers to realize promotional benefits from their efforts very quickly. The conflux of high population density, high internet connectivity and the ubiquity of on-line selling, home shopping channel sales and home delivery of groceries offer lucrative marketing opportunities for many products.

Table 1. South Korean Agricultural Imports by Sector
(Millions of U.S. Dollars, Based on CIF Value)

Category	2005		2006		2007 (f)	
	World	U.S.	World	U.S.	World	U.S.
Consumer-Oriented	4,187	819	4,871	928	5,743	1,137
Intermediate	3,986	765	4,403	813	5,083	1,017
Bulk	3,156	1,031	3,186	1,430	4,070	1,541
Fish & Seafood	2,301	144	2,664	140	2,811	202
Forest Products	1,845	171	2,098	166	2,522	125
TOTAL	15,475	2,930	17,223	3,477	20, 229	4,022

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 forecast to reach $4 billion in 2007. The increase projected for 2007 imports is due primarily to the increases in beef, feedstuffs, soybeans and wheat imports from the United States.

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

Advantages	Challenges
U.S. food is assessed as equal or superior quality relative to domestic products	Changes in food regulations compounded by language barrier
Increasing affluence of Koreans is shifting consumer focus from price to quality	Importers lack knowledge of product sources
Appreciation of Korean currency relative to the U.S. Dollar make U.S. product more affordable	Food safety concerns and biotech issues High marketing costs
World Animal Health Organization announcement of controlled risk for BSE in United States creates conditions for broader access for U.S. beef	Onerous inspection/customs clearance procedures

KORUS FTA will make U.S. products more competitive with other foreign suppliers	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 and Korea has different tolerances for some additives and preservatives.

As a good place to start is reviewing the Attaché reports for Korea on the FAS website (see Section VI of this report). Some of these reports are also available on the U.S. Agricultural Trade Office website. 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. In particular, the "Country Commercial Guide" includes a wide variety of useful information. Register for access to the Country Commercial Guide at: http://www.buyusa.gov/korea/en/ Lists of Korean importers, by product, can also be obtained from the U.S. Agricultural Trade Office (see Section V of this report).

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 1,000 faxes and/or e-mails" 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, there are two trade shows supported by ATO Seoul in Korea. The "Seoul Food & Hotel 2008" will be held in Ilsan in the suburbs of Seoul, May 14-17, 2008. The show presents an excellent chance to explore possible market opportunities in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc. It is the only "trade only" show in Korea. All other shows cater mostly to consumers. Another show is "Busan International Seafood and Fishery Expo 2008" which is the largest seafood related show in Korea and will be held in Busan, the second largest city in Korea, in the middle of November 2008.

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 (thin-sliced marinated beef) 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. Korea is known as number one country in terms of number of students from overseas studying in the United States. It is reported that about 100,000 Korean students currently study in the United States plus over 50,000 of their spouses, children and parents 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, low-chemical or other "natural" products as healthy products. As a result, the market for organic and "natural" foods 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 appeal to Korean consumers.

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 continue to evolve. 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.

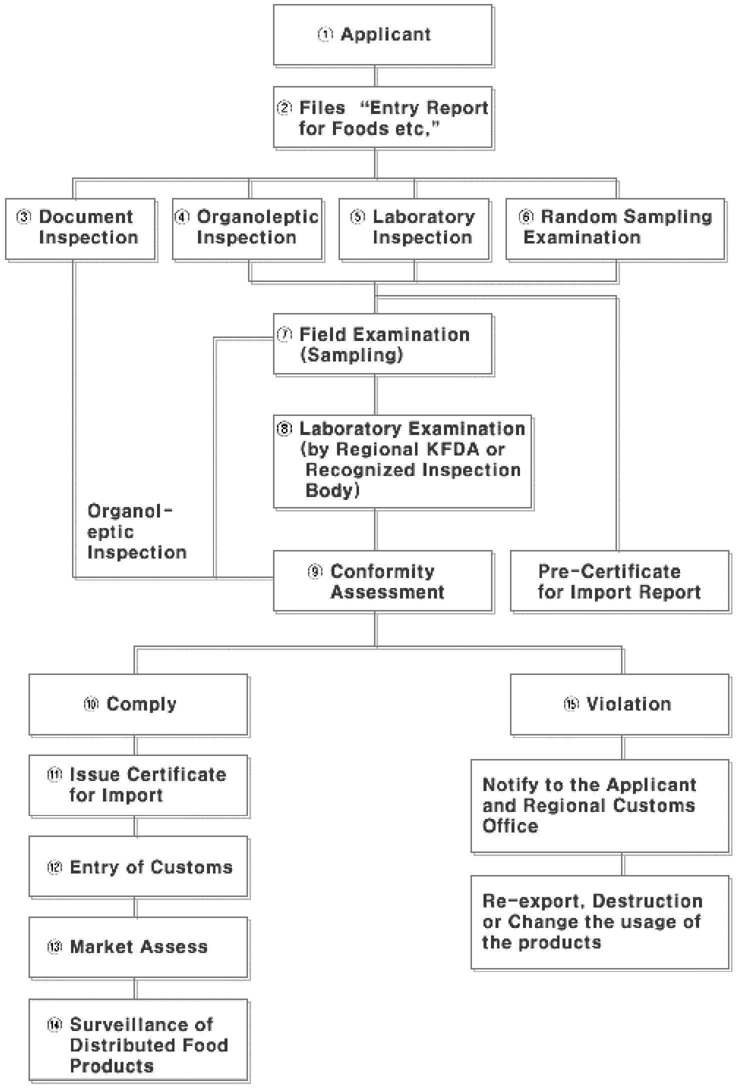
There are many food standards and regulations. This report describes only the basic guidelines of Korea’s import requirements. For details on Korean import regulation, please click the FAIRS Country Report – KS7053 dated July 31, 2007 in Section VI of this report.

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 indicate 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. In addition to the requirements listed below, country of origin labeling is required on food products. Korean language stickers can be applied (and are usually applied) at the port of entry. Korean importers will inform the U.S. exporters of the Korean labeling requirements before they import any products.

The KFDA Food Safety Policy Team is responsible for establishing labeling standards for food products. KFDA regional offices inspect labeling of imported food products upon arrival. Provincial government health officials also have the authority to check labeling of both imported and domestic products in the market place.

With the exception of 102 meat, egg, and dairy products, which are regulated by the Ministry of Agriculture and Forestry, 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 functional food products.

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 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 certain designated products are required to have nutritional labeling.

(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.).

<u>Categories of food exempt from Korean-language labeling requirements</u>

1. Agricultural products such as grains; fishery items, such as whole frozen fish; and fruits[3], 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] Although exempt from the Korean-language labeling requirement, country of origin labeling requirements may still apply. See KS6109 for details.

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.

The revision of the Korean Labeling Standards, dated September 2006, requires mandatory indication of trans fatty acids as part of nutritional labeling. Products subject to nutritional labeling must indicate the content of trans fatty acids beginning December 1, 2007.

The revision of the Korean Labeling Standards, dated January 2007, introduced a "best before date" for certain food products for which the quality can be maintained as long as products are stored in a proper way. Products include jams, saccharide products (e.g. dextrin, oligosaccharide, and fructose), teas, sterilized beverages, sterilized curry products, starch, honey, wheat flour, canned and retort packaged products. Those products can choose either a best before date or a shelf life on the product label.

In June 2007, KFDA issued a proposed revision to Labeling Standards for Food et al. This proposal includes changes in nutritional labeling, criteria for the labeling of trans fatty acids and the addition of shrimp to allergen cause food.

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.

2. Food Additive Code

The "Food Additive Code" defines standard specifications for individual food additives and usage standards and guides the use of all additives in foods in Korea. As of July 2007, Korea had a positive list of 631 approved food additives. Food additives are grouped into three categories: (a) chemical synthetics, (b) natural additives, and (c) mixture substances. Most additives and/or preservatives are approved and tolerance levels are established on a product-by-product basis in Korea. This creates difficulties as tolerances can vary from product to product. Getting a new additive added to the approved list can be time consuming and troublesome. Even though there may be an established CODEX standard for a given food additive, if that food additive is not registered in the Korean Food Additive Code, or even if it is registered but usage in a certain food product is not specified, use of that food additive in the given food product is prohibited. This means that only food additives registered in the Korean Food Additive Code are allowed for use in food products, in accordance with the usage standards specified in the Food Additive Code.

KFDA posts the Food Additive Code on its English website. The English website is very user friendly, provides names, usage standards, and specifications for all approved additives. To access the Korean Food Additive Code in English, please follow the instructions below:

1. Go to www.kfda.go.kr
2. Click "English" on the top
3. Click "Korea Food Additive code" on the bottom of the left hand side column

For a short cut, go to the following website directly:

http://fa.kfda.go.kr/foodadditivescode.html

For registration of new the additives to the Korean Food Additive Code, the "Guidelines for Designation of Food Additives" explains the detailed information that needs to be submitted to KFDA. KFDA's review process usually takes a year or so.

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. Detailed information on current and prospective tariffs under the KORUSA FTA can be found at: http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Republic_of_Korea_FTA/Final_Text/asset_upload_file786_12756.pdf 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.

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, and warehouses prior to exporting the 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. It is advised that U.S. companies wanting to export meat products to Korea first verify that the supplying U.S. facilities are eligible to export to Korea. To see the list of approved beef facilities, please go to: http://www.ams.usda.gov/lsg/arc/bev.htm

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.

On December 23, 2003, in response to the finding of one positive case of BSE in Washington State, involving an animal that had been imported from Canada, Korea banned all ruminant animals and their products originating from the United States. To date, only the following products can be traded:

? Dairy products, hides and skins, semen of ruminant origin, fetal calf serum
? Porcine gelatin, porcine plasma powder, pet food without any ruminant ingredient in retail packages
? Tallow with an "insoluble impurity" of 0.15 percent or lower, fish meal produced in a

Facility dedicated for producing only fish meal, deboned skeletal muscle meat from cattle under 30 months of age processed at approved plants

? Gelatin and collagen originating from hides and skins only, dicalcium phosphates free of protein and fat, and hydrolyzed poultry protein derived from liver and heart.

Currently, the United States is working with Korea to expand the list of products eligible to export to Korea.

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. This website also provides guidance regarding what documents must accompany livestock product shipments destined for Korea. Information on who, where, and how to contact the U.S. regulatory agency responsible for providing certification information for U.S. food products (such as meat and live animals) is contained in the FAIRS Country Report on the United States. Please click the FAIRS Country Report for details in Section VI of this report.

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. For the detailed information on certification forms, please see Export Certificate FAIRS Report Annual – KS7061 dated September 28, 2007 in Section VI of this report.

Eligible product

1. Deboned skeletal muscle meat derived from cattle 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. The meat must be derived from cattle 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 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 deboned skeletal muscle meat 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 United States.

3. Equine meat.

Certification Forms

1. 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. Pork and Pork Products

   a. FSIS Form 9060-5 (May 6, 1999), Meat and Poultry Certificate of Wholesomeness
   b. FSIS Form 9305-5 (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. StarLink Free Certification

In December 2000, after KFDA detected StarLink protein in U.S. corn shipments, imported food-grade corn and corn-based food products were required to arrive with a StarLink-free certification issued by the exporting country. For U.S. corn shipments, such certification should be issued by the USDA, Grain Inspection, Packers, and Stockyards Administration (GIPSA), or an accredited lab, to minimize potential problems during inspection clearance. Regardless, the sales contract must specify the terms for pre-shipment tests. For processed food products containing corn as an ingredient, certification can be met with a letter, statement, or certificate issued by the manufacturer or the exporter stating the raw corn ingredient was "StarLink-free." All U.S. origin food grade corn and corn-based products must provide a StarLink-free certification at port of entry.

L. Bt 10 Free Certification

Effective June 15, 2005, a Bt 10 free certificate issued by GeneScan is required for U.S. food corn shipments (kernel corn). In addition to 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, if necessary, during laboratory spot inspection. 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.

M. Sample Shipments

General processed food products are not subject to import requirements as long as they are considered as samples. For sample shipments, the invoice should be marked as having no commercial value. If the volume or the market value is not considered a sample, it will be subject to import requirements. A phytosanitary certificate and a meat export certificate are required for products subject to quarantine inspection even if they are shipped as samples.

N. 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.

O. Copyright and/or Trademark Laws

The Korea Industrial Property Office (KIPO) is responsible for protection of trademarks and for review of petitions related to trademark registration. 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. It can be exceedingly difficult and expensive to wrest control of your trademark from anyone who registered it before you. Post strongly advises U.S. companies to register their trademarks prior to beginning their business operation in Korea. To register your trademark, please see the detail instructions at:
http://www.buyusa.gov/korea/en/iprtoolkit.html

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 must 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, PVC, or Other should be indicated 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. <u>Oregon Department of Agriculture’s Export Service Center</u>
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. <u>Omic USA Inc.</u>
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 128 kilograms in 1985 by about 37 percent to 81 kilograms in 2005 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 2006. Sales through traditional markets contracted by 4.2 percent. Retail market food sales are expected to show substantial growth in 2007 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	2005 Sales	2006 Sales	Growth %
Hypermarkets	$25.2 billion	$29.5 billion	17.1%
Traditional Market	$35.9 billion	$34.4 billion	-4.2%
Department Stores	$18.5 billion	$19.5 billion	5.4%
On-line Shopping	$16.4 billion	$20.3 billion	23.8%
Convenience Stores[1]	$5 billion	$5.3 billion	6%
Supermarkets[2]	$2.4 billion	$2.5 billion	4.2%

Exchange rate: $1 = 930 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 2007

Table 4. Receipts from Food & Ag. Products Sales for Each Retailers

Year 2005	Percent of Food Sales
Department Stores	10.7%
Hypermarkets	56.1%
Supermarkets	80.3%
Convenience Stores	48.5%
On-line Shopping	7.3%

Source: Distribution Industry Yearbook 2007

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 (NACF) stores and discount stores or membership-type warehouse stores.

Most retailers purchase imported food products from importers and/or wholesalers. A few retailers started to import food products directly when the import volume is large. 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. Few

Korean retailers import food products directly? Instead, they prefer to 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 $19.5 billion in 2006. Daily sales for a typical department store averaged $579,570 with 9,979 average daily customers in 2006. Food and beverage sales accounted for 10.7 percent of department store receipts in 2006. The three main department stores in Korea are Lotte, Shinsegae and Hyundai. Department stores sales are in competition with hypermarkets and discount stores. This industry grew about 5.4 percent growth in 2006 over the previous year.

2. Supermarkets. The total sales of supermarkets amounted to $2.5 billion in 2006. Average daily sales of the supermarkets surveyed by KOSCA were $22,484 per store with 1,431 average daily customers per store in 2006. Of the average sales per outlet, food sales accounted for 80.3 percent of all receipts. The major players in this market are GS Supermarket, Lotte Supermarket and Top Mart. This industry enjoyed about 4.2 percent growth in 2006 over the previous year.

3. Convenience Stores. According to the KOSCA report, there were 9,928 outlets in 2006, up from 9,085 outlets. The total sales of the 8 convenience store companies surveyed by KOSCA were $5.3 billion in 2006, a 6 percent increase from $5 billion in 2005. The average daily sales per store were $1,652 with 503 average daily customers in 2006. Of total sales, food and beverage sales accounted for 48.5 percent in 2006, compared to 48.8 percent in 2005. This sector is expected to grow substantially over the next few years as the number of outlets increases. The major players in this market are Family Mart, GS25 and Seven Eleven.

4. Hypermarkets/Discount Stores. This is one of the fastest growing segments in the retail sector. Total sales of hypermarkets were $29.5 billion in 2006, up from $25.2 billion in 2005. The three big players in this sector (E-Mart, Home Plus and Lotte Mart) accounted for 69 percent of the sector's total sales in 2005. Average daily sales of the 341 discount stores surveyed by KOSCA in 2006 amounted to $263,440 with 5,988 average daily customers per store. Of the average sales per store, food and beverage products accounted for 56.1 percent. In 2005 there were big changes in the discount store industry. Wal-Mart 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 Wal-Mart 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 click the Retail Food Sector Biennial Market Brief 2007 – KS7024 dated April 19, 2007 in Section VI of this report.

B. Hotel, Restaurant and Institutional (HRI) Industry

The Monthly Statistics of Korea (July 2007 Issue) shows that the average monthly expenditures on food and beverages per household in cities in 2006 amounted to about $600, accounting for 21.3 percent of a typical household's total expenditures. Expenditures on restaurant meals have been increasing rapidly and accounted for 46.2 percent of the total expenditures Koreans made on food and beverages in 2006.

Table 5. Average Monthly Expenditures on Food Items per Household in cities in 2006

Food Items	Expenditure (US$)	Percent

Cereals and bread	46.13	7.68%
Meat	47.10	7.84%
Vegetables & seaweeds	45.05	7.50%
Fruits	38.39	6.39%
Fish and shellfish	36.34	6.05%
Bakery & confectioneries	24.19	4.03%
Dairy products	23.66	3.94%
Tea, soft drinks & Alcoholic beverages	24.84	4.14%
Oils, fats & seasonings	18.92	3.15%
Other foods	18.17	3.03%
Restaurant Meals	277.74	46.25%
Total Expenditure	600.54	100%

Exchange Rate $ = 930 won
Source: Monthly Statistics of Korea, July 2007

The Korean food service sector garnered $49.7 billion of cash register sales in 2005. The total number of restaurants was estimated at 531,929 providing employment for 1.44 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 $93,434 in 2005.

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.

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

Company	**Brand**	**Annual Sales**	**No. of Outlets in 2006**	**Change in No. of outlets in 2006**
Genesis	BBQ	$624 Million	1850	+50

Lotteria	Lotteria	$389 million	730	-70
McDonald's Korea	McDonald's	$301 million/1	300	-5
SRS Korea	KFC	$163 million	162	-17
	Burger King	$66 million/2	75	-8
TS Haemaro	Popeye's	$66 million	123	-27

Exchange rate: $1 = 930 Korean won
[1]/ Total sales in 2002
[2]/ Total sales in 2005.
Source: The Yearbook of Retail Industry 2007

Table 7. Profile of Major Family Restaurant Chains

Company	Brand	Annual Sales	No. of Outlets in 2006	Change in No. of outlets in 2006
Ojijung	Outback Steak	$269 million	88	+18
CJ Foodville	VIPS	$258 million	67	+26
Lotte	TGIF	$140 million	51	+12
Rise On	Bennigan's	$108 million	31	+5
Amoje	Marché	$27 million	7	-2
Barons	Sizzler	$24 million	8	+1
Sunat Food	Tony Romas	$17 million	7	0

Exchange rate: $1 = 930 Korean won
Source: The Yearbook of Retail Industry 2007

Table 8. Profile of Major Pizza Restaurant Chains

Company	Brand	Annual Sales	No. of Outlets in 2006	Change in No. of outlets in 2006
Pizza Hut Korea.	Pizza Hut	$430 million	340	0
DPK International	Domino's Pizza	$258 million	287	+7
Mister Pizza Korea	Mister Pizza	$258 million	300	+50
Pizza Ethang	Ethang	$129 million	303	+35
PJI Korea	Papa Johns	$27 million	54	+15

Exchange rate: $1 = 930 Korean won

Source: The Yearbook of Retail Industry 2007

Table 9. Profile of Major Coffee Shop Chains

Company	Brand	Annual Sales	No. of Outlets in 2006	Change in No. of outlets in 2006
Starbuck's Korea	Starbuck's	$119 million	188	+44
Rosebud Korea	Rosebud	$39 million	312	+28
Lotteria	Angelinas	$18 million	37	+9
Hollys Coffee	Hollys	$27 million	89	+33

Source: The Yearbook of Retail Industry 2007

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 2006 were estimated at $6.5 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

Name of Company	Annual Sales	No. of Outlets	Change in No. of outlets in 2006
Our Home	$731 million	700	+120
Samsung Everland	$607 million	320	-180
CJ Food System	$667 million	400	-180
Hyundai Food System	$312 million	347	+27
Shinsegae Food System	$318 million	410	+10
Arakor	$129 million	350	-10
ECMD	$123 million	400	+100
Hanhwa Resort	$140 million	230	+12

Source: Korea Food Distribution Yearbook 2007

For further detailed information on the hotel, restaurant and institutional industry in Korea, please click the HRI Food Service Sector Annual Report – KS6006 dated February 10, 2006 in Section VI of this report.

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, meat, fish and beverages at 8,389 processors with 5 or more employees is estimated at $51.9 billion in Korea in 2005.

Table 11. Output of Food Processing by Sector: 2005

Food Processing Sector	Gross output ($million)	Share (%)
Meat processing	6,641	12.8%
Dairy & Ice cream	6,009	11.6%
Grain processing	5,302	10.2%
Feed processing	5,108	9.8%
Alcoholic beverages	4,119	7.9%
Coffee, tea, soup & other foods	3,902	7.5%
Non-alcoholic beverages	3,510	6.8%
Fish and seafood processing	3,343	6.4%
Seasonings, spices & Food additives	2,930	5.6%
Bread & Grain preparations	2,797	5.4%
Noodles and similar products	2,047	3.9%
Fruit & Vegetable Processing	1,538	3.0%
Cocoa & sugar confectionery	1,535	3.0%
Fats & Oils manufacturing	1,341	2.6%
Sugar manufacturing	908	1.7%
Starch & Sweeteners manufacturing	867	1.7%
Total	51,896	100.0%

Exchange Rate $ = 930 won
Source: Report on Mining and Manufacturing Survey, Dec. 2006

Most Korean food and beverage manufacturers are small-scale companies. As of the end of 2005, there were 8,389 food, livestock, dairy and beverage manufacturing plants with five or more employees. Of these, there are only 16 manufacturers with 500 employees or more. About 3.5 percent (290 manufacturers) have 100 or more employees.

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 6, 7 and, 2008 and the three-day Chusok (Korean Thanksgiving) holiday will take place on September 14, 15 and 16, 2008. 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. On-line Retailers

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 $20.3 billion in 2006, a 20 percent increase from $16.4 billion in 2005. Receipts attributable to food sales accounted for about 7.3 percent of all e-commerce receipts in 2006.

Virtually all kinds of food products that are found in conventional retail stores are available on-line since conventional retailers now operate internet stores coupled with home delivery service. Furthermore, on-line shopping has greatly expanded the assortment of products available, in particular to those consumers in suburban areas where modern mass retailers are yet to penetrate. However, most of the sales of food products through on-line retailing are focused on a limited number of "well-known" or "reputable" existing products as many consumers still do not feel comfortable with on-line purchasing of foods with which they have little personal experience. Obviously price and convenience are the two leading factors that prompt people to shop on-line.

Table 12. Annual Sales of On-line Retail Segment

	2001	2003	2005	2006
Catalog Shopping	$1.2 billion	$753 million	$634 billion	$774 million
TV Home Shopping	$2.8 billion	$4.5 billion	$4.6 billion	$5 billion
Internet Shopping	$1.8 billion	$7.1 billion	$11.2 billion	$14.5 billion
T-Commerce	0	0	0	$10 million
M-Commerce	0	0	$10.7 million	$21.5 million
Total	$5.8 billion	$12.3 billion	$16.4 billion	$20.3 billion

Exchange Rate: $=930 won
Source: The Year book of Retail Industry 2007

For more information about food sales through e-commerce marketing channels, please click the Retail Food Sector Home Shopping - KS6085 dated August 2, 2006 in Section VI of this report.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Product Category	2006 Market Size (1,000 MT)	2006 Imports: ($ Mil) Total: USA:	5 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Beef	333	792 0	12.5%	Beef: 40%	Bone-free requirement for U.S. beef.	Market will begin recovering to the $800 million pre-ban level when bone-in beef is allowed.
Pork	859	741 181	66.4%	22.5-25%	High tariff.	Strong demand as a substitute for beef.
Citrus	778	132 125	11.6%	Oranges: 50% Grapefruit: 30%	High tariff rates.	The U.S. is the predominant supplier.
Hay & Fodder	NA	340 125	9.6%	Alfalfa: 1% Others: 2-100.5%	Tariff rate quotas apply.	U.S. product is considered high quality.
Chocolate	NA	130 43	14.2%	8%	High quality products are not well known in Korea.	Competitive in prices and design for medium quality products.
Whey	NA	98 31	16.7%	20-49.5%	Prices are fluctuating.	Good quality, competitive prices and local production is limited.
Wine	NA	89 12	56.6%	15%	Fewer varieties than French. Chilean wine subject to lower tariffs as a result of FTA.	Consumption is growing rapidly
Fish and Seafood	4,041	2,664 140	13.6%	*10-20%	Transportation costs can make U.S. prices higher than those of competitors.	Good quality
Bread, cakes, pastry, etc.	NA	105 26	15.8%	8%	Higher prices.	Good quality
Nuts	NA	87 74	45.6%	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

SECTION VI. OTHER RELEVANT REPORTS

FAIRS Country Reports Annual – KS7053 dated July 31, 2007

Export Certificate FAIRS Report Annual – KS7061 dated September 28, 2007

Retail Food Sector Biennial Market Brief 2007 – KS7024 dated April 19, 2007

Retail Food Sector Home Shopping - KS6085 dated August 2, 2006

HRI Food Service Sector Annual – KS6006 dated February 10, 2006

Food and Agricultural Import Regulations and Standards New Country of Origin Labeling Requirements - KS6109 dated October 16, 2006

APPENDIX. STATISTICS

Table A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%) [1]	17,233/20.2
Consumer Food Imports From All Countries ($Mil)/U.S. Market Share (%) [1]	4,871/19.1
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) [1]	2,664/5.2
Total Population (Millions) / Annual Growth Rate (%) [2]	49/ 0.39
Urban Population (Millions) / Annual Growth Rate (%) [3]	38.5/1
Number of Major Metropolitan Areas [4]	8
Size of the Middle Class (Millions) / Growth Rate (%) [5]	N/A
Per Capita Gross Domestic Product (U.S. Dollars) [6]	$24,500
Unemployment Rate (%) [2]	3.3
Per Capita Food Expenditures (U.S. Dollars) [7]	$600
Percent of Female Population Employed [8]	48.4%
Exchange Rate (US$ = Korean won) [9]	930

All data are for 2006 unless otherwise noted.

Foot Notes
[1] / Korea Trade Information Service (KOTIS), compiled by ATO Seoul
[2] / Source: CIA Factbook https://www.cia.gov/library/publications/the-world.factbook/geos/ks.html
[3] / Urban population in 2005 and average annual growth rate between 2000 and 2005
[4] / Population in excess of one million people in 2005
[5] / Official data is not available
[6] / Purchasing power parity basis. Source: https://www.cia.gov
[7] / Average monthly household expenditures in cities on food and beverage
[8] / Number of women employed as a percent of total women15 years old or above
[9] / Year-end exchange rate of Korean won against the U.S. dollar in 2006.

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		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
CONSUMER-ORIENTED TOTAL	**3,581**	**4,287**	**4,984**	**824**	**881**	**1,003**	**23%**	**21%**	**20%**
Snack Foods (Excl. Nuts)	157	167	182	39	44	52	25%	27%	28%
Breakfast Cereals & Pancake Mix	9	8	11	4	4	6	40%	54%	51%
Red Meats, Fresh/Chilled/Frozen	950	1,352	1,652	143	141	185	15%	10%	11%
Red Meats, Prepared/Preserved	41	71	90	11	14	19	26%	20%	22%
Poultry Meat	52	87	79	4	33	41	9%	38%	51%
Dairy Products (Excl. Cheese	151	186	199	17	29	37	11%	15%	19%
Cheese	120	144	146	21	25	25	17%	18%	17%
Eggs & Products	9	10	10	3	4	4	32%	39%	35%
Fresh Fruit	336	383	449	151	138	147	45%	36%	33%
Fresh Vegetables	92	90	133	12	4	5	13%	5%	4%
Processed Fruit & Vegetables	517	516	618	123	100	99	24%	19%	16%
Fruit & Vegetable Juices	99	103	117	33	37	40	33%	36%	34%
Tree Nuts	49	64	89	41	54	74	85%	85%	82%
Wine & Beer	73	84	109	12	14	18	16%	17%	16%
Nursery Products & Cut Flowers	41	51	59	0.5	1	1	1%	2%	2%
Pet Foods (Dog & Cat Food)	52	45	51	24	19	22	45%	43%	43%
Other Consumer-Oriented Products	831	926	988	188	221	232	23%	24%	23%
SEAFOOD PRODUCTS TOTAL	**2,189**	**2,301**	**2,664**	**129**	**144**	**140**	**6%**	**6%**	**5%**
Salmon	27	36	57	0.2	2	0.8	0.6%	6%	1.3%
Surimi	112	147	138	51	66	51	46%	45%	37%
Crustaceans	513	523	649	9	7	8	2%	1%	1%
Ground fish & Flatfish	708	762	847	53	49	54	8%	6%	6%
Mollusks	239	271	333	1	3	3	0.6%	1%	1%
Other Fishery Products	590	563	641	14	17	23	2%	3%	4%
CONSUMER & FISHERY TOTAL	**5,770**	**6,588**	**7,648**	**953**	**1,025**	**1,143**	**17%**	**16%**	**15%**

Source: World Trade Atlas

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		
	2004	2005	2006
	$million	$million	$million
United States	824	881	1,003
China (Peoples Republic of)	557	652	841
Australia	488	680	817
New Zealand	281	350	329
Philippines	144	189	226
France	136	160	192
Canada	80	129	151
Chile	81	124	147
Japan	129	133	136
Netherlands	108	118	129
Belgium	84	98	111
Denmark	93	120	96
Thailand	87	75	91
Brazil	49	58	85
Spain	28	46	63
Other	412	474	567
World	3,581	4,287	4,984

Source: World Trade Atlas

Table C-2. FISH & SEAFOOD PRODUCTS

Reporting Country: Korea, Republic of Top 15 Ranking	Import		
	2004	2005	2006
	$million	$million	$million
China (Peoples Republic of)	902	927	1,021
Russia	276	276	346
Japan	177	170	220
Vietnam	143	164	206
Thailand	105	122	141
United States	129	144	140
Taiwan	62	63	86
Canada	45	40	48
Chile	20	28	43
Norway	34	29	41
Peru	20	21	35
Indonesia	27	29	32
India	24	20	27
Philippines	23	20	25
UK	26	30	23
Other	176	218	230
World	2,189	2,301	2,664

Source: World Trade Atlas