

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Additional Impact on Korean Agriculture and Food Situation

**Country:** Korea - Republic of

**Post:** Seoul

**Report Category:** Agriculture in the Economy, National Plan, Policy and Program Announcements

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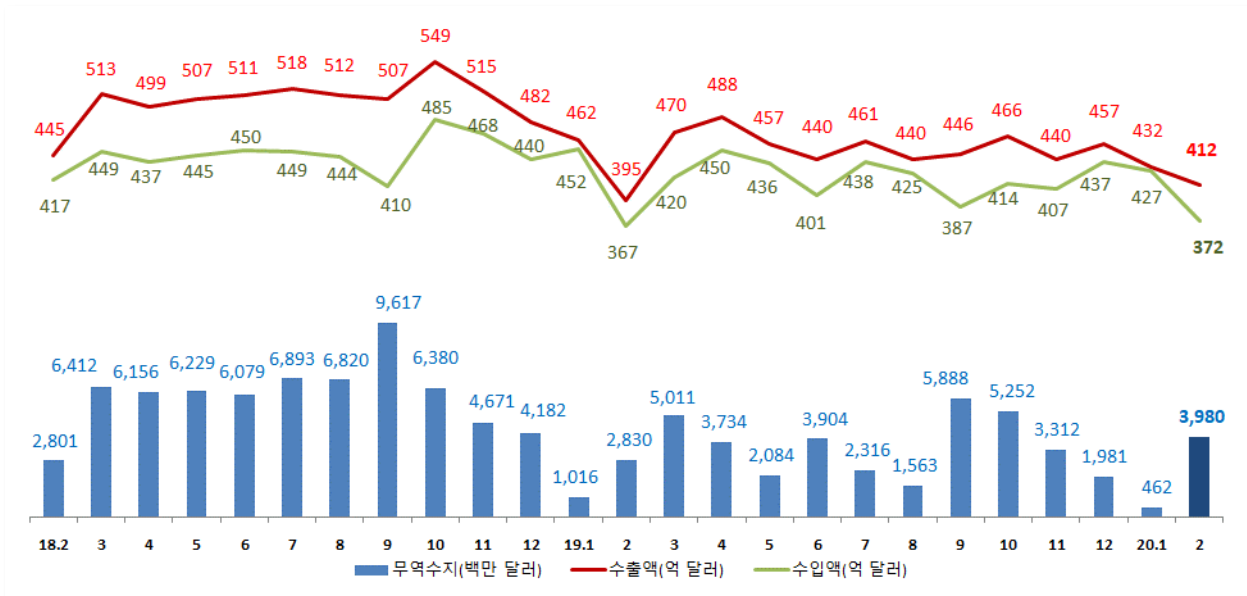
**Approved By:** Ronald Verdonk

**Report Highlights:**

This report provides an overview of the impact to date of COVID-19 on the Korean trade balance, distribution channels, wholesale prices and government support programs provided to cope with the COVID-19. It supplements GAIN Report KS2020-0015.

## Total Trade balance

Korean continues to enjoy a trade surplus in the midst of COVID-19. Total exports continued to drop during the first two months in 2020, due to reductions in refined oil products, steel products, home electronics, cell phones, automobiles, and liquid crystal display devices. Total imports also dropped, principally due to reductions in home electronic goods and energy products like crude oil, natural gas, and coal. The following graph shows the monthly trade balance for Korea.



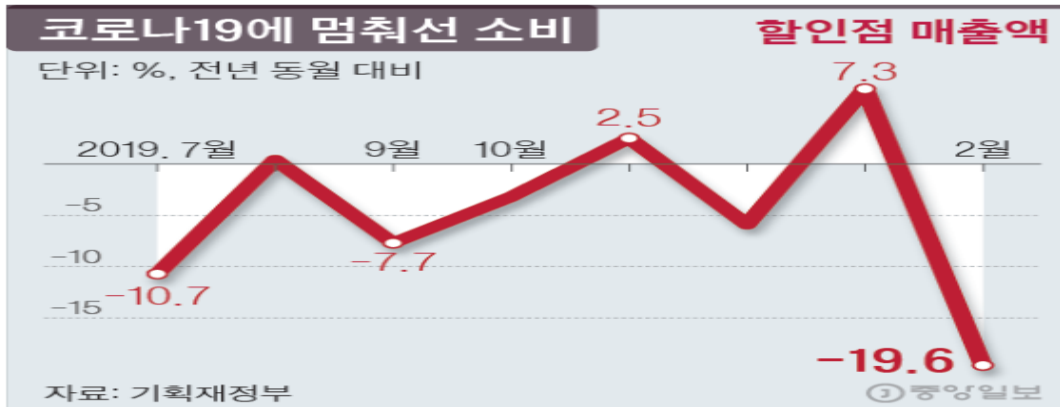
- Trade balance (Million dollars)
- - - - - Exports (100 million dollars)
- - - - - Imports (100 million dollars)

Source: Korea Customs Service

## Shift in distribution channels

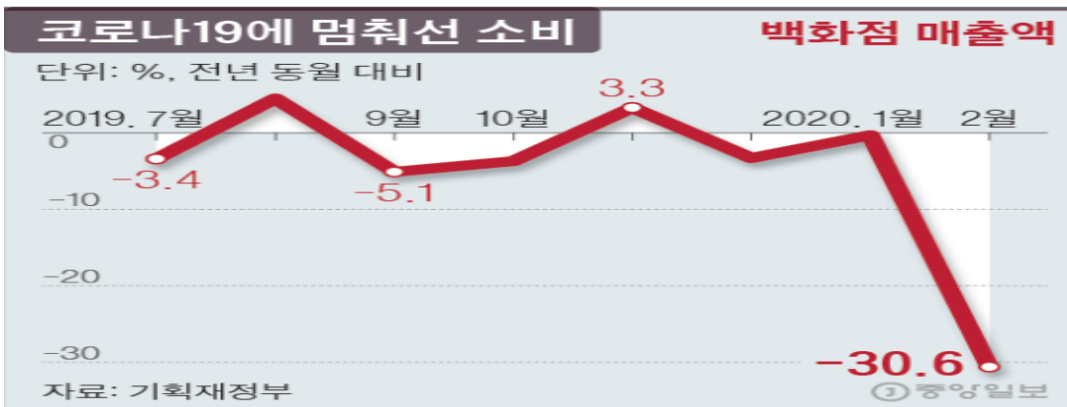
The COVID-19 pandemic is affecting Korea's distribution system. Since the first positive case on January 20, 2020, consumers dramatically shifted from walk-in, normal traditional markets and retail venues to online markets, as they try to maintain social distancing. As can be seen from the following graphs, sales in discount stores and department stores plummeted while online shopping soared.

Trend in sales in hypermarkets (Month on month comparison over the previous year)



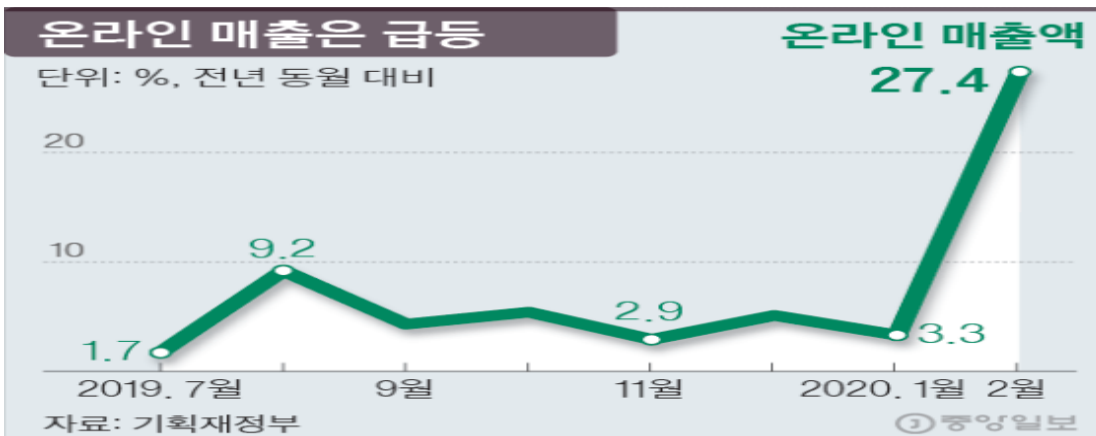
Source: Ministry of Strategy and Finance, JoongAng Ilbo

Trend in sales at department stores (Month on month comparison over the previous year)



Source: Ministry of Strategy and Finance, JoongAng Ilbo

Trend in online sales (Month on month comparison over the previous year)

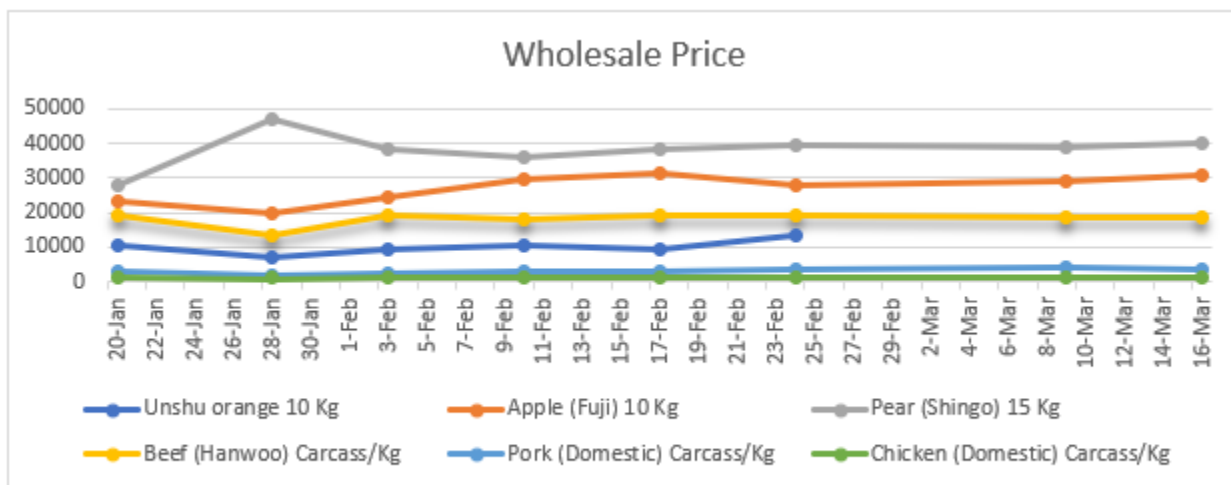


Source: Ministry of Strategy and Finance, Joongang Ilbo

### Wholesale prices

Of course, people need to eat regardless of the pandemic, disaster or national/international challenge. The shift in distribution channels has allowed wholesale prices to maintain a stable level, despite the drop in off-line sales. Alternative channels for food purchasing and the relatively low level of hoarding, except for some canned food and instant noodles, allowed wholesale market prices to maintain a stable level.

As people refrain from dining in restaurants, overall sales in restaurants have dropped. However, this change increased demand for meat and other food items needed for cooking at home and thus have helped wholesale prices hold steady. The customs clearance process for imported food has not been affected by COVID-19 and Korea maintains a smooth inflow of imported food and feed items, further supporting the stability of wholesale market prices.



Source: KAMIS. The price for unshu orange discontinued as the season ended.

### Government support programs for farmers

The government announced a support program for farmers that focuses on areas that are suffering from the impacts of COVID-19. Most of the commodities needed for daily food consumption did not suffer severe impacts. As such, the government focused its agricultural support on other areas:

1. “Environmentally friendly” agricultural products produced for the school lunch program: The government delayed the planned March 2nd opening of schools by over a month, until April 6. Farmers that contracted to supply their fresh vegetables to schools now have no outlet. The government is sponsoring market promotions at hypermarkets and are also asking government-related agencies to purchase these products. The Korean Swine Association is giving away water dropwort—a leafy vegetable commonly used in Korea—to consumers that purchase pork.

2. Low interest loans to farmers that are subject to self-quarantine: A total of 60 billion won (\$48.8 million) will be provided as a low interest loans to farmers that are unable to farm if they become subject to self-quarantine requirements due to COVID-19 exposure.
3. Food exports have been hurt due to world-wide cancellations of trade shows: The quasi-governmental marketing agency, aT, will help these exporters through online exhibitions, DVCs with potential foreign buyers, online market promotions, and other related activities. aT will conduct promotions on foreign online channels located in 14 countries, including China, Hong Kong, Vietnam, Indonesia, Philippines, Thailand, Malaysia, Singapore, Japan, Americas (Amazon) and France (Shopmium).
4. Flower producers: Flower producers missed out on their biggest sales season, which includes the graduation ceremony and school entrance ceremony. Most of schools cancelled their graduation ceremonies in February and entrance ceremonies remain on hold. The government will provide financial support for selling flowers in the wholesale market and lower interest rates for loans to flower producers from 1.5% to 1.0%.
5. Restaurant owners: The government will provide a loan of 20 billion won (\$16.3 million) to restaurant owners to purchase domestic agricultural ingredients.

### **Airfreight**

A total of 179 nations have placed restrictions on visitors coming from Korea, as of March 24, 2020. These restrictions grounded most international flights into or out of Korea. One low-cost airline suspended its business for March. The lack of flights caused air freight prices to go up. According to TAC, an organization that provides information on airfreight prices, the fare from Hong Kong to North America jumped from \$3.14 per kilogram in January 2020 to \$3.59 per kilogram during the second week of March 2020. As Bollore Logistics points out, "Space situation is very tight as many airlines cancel passenger flights."

**Attachments:**

No Attachments.