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Report Highlights:

In 2004, Korea was the fifth largest market for U.S. agricultural products. Total imports of agricultural products were \$14.7 billion and for 2005, are estimated to reach \$15.5 billion. Korea imports about 60-70 percent of its agricultural needs. The overall performance of the domestic economy is slowing under the weakening pace of export growth and the rising value of the Korean won; however, Korea is the world's 11th largest economy, the 9th largest exporter and the 13th largest importing country. The demand for products, such as frozen vegetables, sauce preparations, and confectionery items is growing as the domestic processing industry lacks the ability to supply these items. Increasing affluence and greater demand from consumers for high quality, low cost, healthy and convenient foods equates to good opportunities for U.S. suppliers.

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SECTION I. MARKET OVERVIEW

Korea is the world's 11th largest economy, the 9th largest exporter and the 13th largest importing country¹. As such, the demands of Korean consumers have become very similar to the demands of U.S. consumers: high quality, low cost, healthy and convenient food.

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 capability to supply these items.

In 2004, Korea was the fifth largest market for U.S. agricultural products. Total imports of agricultural products were \$14.7 billion and for 2005, are estimated to reach \$15.5 billion. Korea imports about 60-70 percent of its agricultural needs because less than 20 percent of its total land mass is arable and its farms are small and inefficient.

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 China. Total imports of bulk and intermediate products so far this year have declined by four percent, whereas imports of consumer ready products have increased by 21 percent. Imports from the U.S. of poultry, pork, pastries, mineral water, dairy products, fresh fruits and nuts are all showing significant growth.

The Samsung Economic Research Institute forecasts GDP growth in 2005 at 3.7 percent². Korea's economy, which grew 4.6 percent in 2004, is slowing under the weakening pace of export growth and the rising value of the Korean Won. The overall performance of the Korean economy will depend greatly on external conditions including the international price of oil and appreciation of the Korean won. Per capita GDP reached \$14,144 in 2004, up 12 percent from \$12,628 in 2003 partly due to the appreciation of the Korean Won.

Korea, a country the size of Indiana, has 48 million people making it the 3rd most densely populated country in the world³. By comparison, the population of Indiana is only 6.2 million. 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.

¹ World Development Indicators database, World Bank, July 15, 2005

² Gross Domestic Product (GDP) is the total value of all goods and services produced by a nation within a given year.

³ Korean National Statistical Office indicates Korea is the 3rd most densely populated country, just behind Bangladesh and Taiwan, excluding city countries such as Singapore, Monaco and Gibraltar, and small island countries such as Maldives and Barbados.

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

Category	2003		2004		2005 (f)	
	World	U.S.	World	U.S.	World	U.S.
Consumer	3,779	1,564	3,494	785	4,121	866
Intermediate	3,063	823	3,600	726	3,837	775
Bulk	3,011	839	3,614	1,678	3,192	1,010
Fish & Seafood	1,900	144	2,189	129	2,244	135
Forest Products	1,668	143	1,774	164	1,829	168
TOTAL	13,421	3,513	14,670	3,482	15,223	2,954

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 billion in 2005, down from the previous year due to the decline in corn and soybean imports and several on-going SPS issues for beef and citrus⁴.

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
Increasing affluence of Koreans	Importers lack knowledge of product sources
Diminishing resistance to imported foods	Food safety concerns and biotech issues
U.S. has strong brand power and country image in Korea	High marketing costs
Low tariffs for processed products	Onerous inspection/customs clearance procedures
Almost all food products are importable	Tolerances of additives/preservatives are different from the U.S.

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 U.S. Korean consumers may have different demands.

Information freely provided on the U.S. Agricultural Trade Office website may be a good place to start⁵. In addition, information from Korean importers, U.S. state departments of

⁴ Sanitary and Phytosanitary (SPS) measures are maintained by countries to ensure that food is safe for consumers, and to prevent the spread of pests and diseases among animals and plants.

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, or through the Foreign Agricultural Service in Washington, D.C.

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 the Food & Hotel Korea 2006, which will be held in Seoul, March 21-23, 2006. It 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.

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 mean it 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, the Mid-America International Agri-Trade Council (MIATCO) 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 MIATCO 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.

⁵ www.atoseoul.com

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.

1. **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."
2. **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.
3. **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.
4. **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 importers that are new to the Korean market, ATO Seoul may be able to provide an introduction.
5. **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. The rules of society weigh heavily on Korean behavior, and drinking is one of the few times they can be themselves. Although Koreans are wary of people who refuse to drink or who drink moderately, foreigners are given a little more flexibility especially if you can offer an excuse of health or religion. 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.
6. **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.

7. 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.
8. 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.
9. 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.
10. 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 despite the lackluster economic situation. 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. Never the less, the younger generation has had a lot of exposure to Western style foods, especially American food. Approximately 40,000 Korean elementary and middle school 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. 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. 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.

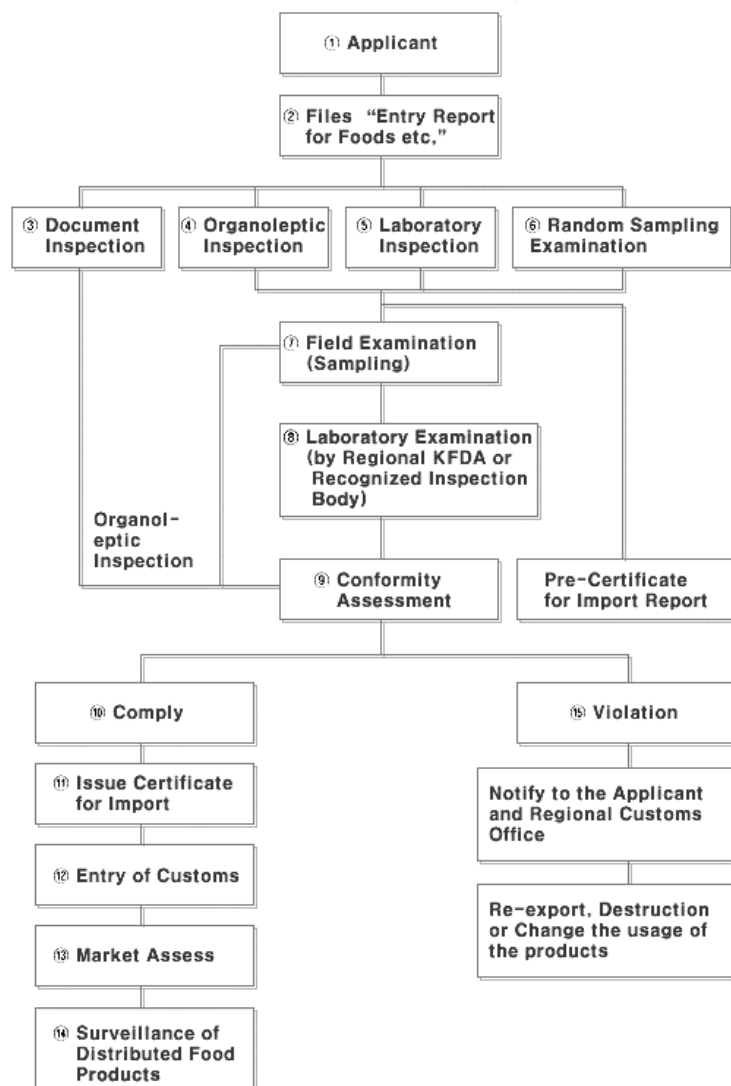
There are many food standards and regulations. This report describes only the basic guidelines of Korea's import requirements. For details on Korean import regulation, see the Food and Agricultural Import Regulations and Standards (FAIRS) Reports – KS5037 dated July 29, 2005.

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. (See Page 17)

(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.

The Food Safety Division, KFDA, is responsible for establishing the labeling standards for food products. KFDA regional offices enforce the labeling standards. Provincial government health officials also have the authority to enforce the labeling standards.

With the exception of 104 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 the Korean language. 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, organic labeling requirements, labeling standards for livestock products, labeling regulations for non-processed biotech products, labeling standards for recombinant foods, liquor labeling requirements, and country of origin labeling requirements. For details on these specific labeling requirements please refer to the Food and Agricultural Import Regulations and Standards (FAIRS) Reports – KS5037 dated July 29, 2005.

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) Manufactured date – month, and year: This is mandatory for specially designated products, such as lunch box, sugar, liquor, and salts. For liquors, a manufacture number (lot number) or bottling date can substitute for the manufactured date.

(5) Shelf life: Food products should identify 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. 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 food labels. Artificially added purified water and certain other ingredients amounting to less than five percent of the ingredients will be excluded from the requirement. Ingredient names should 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 above 11 items as a raw ingredient (ingredients), must indicate the name (names) on the Korean language label.

(8) Nutrients: Only special nutritional foods, health supplementary foods, bread and bread loaves, noodles (cooked noodle, fried noodle, gelatinized dry noodle, and improved cooked noodle), 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, nutritional labeling requirements will be expanded to foods that children frequently consume beginning in September 2006.

(9) Other items designated by the detailed labeling standards for food et al.: 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.

Please note the principal display panel must contain the product name, product type, and content information. If this is not feasible, such information shall be provided in 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 loose, in a container or packaging, etc.
- (2) Foods, etc., to be used for manufacturing or cooking for a company's own use. (Documents that show such intent need to be provided.) The package for such foods shall be labeled with the name of the product the name of the manufacturer, and manufacture date or shelf life.
- (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 151 food categories, delineated into 20 groups. A revision made on May 24, 2004 expanded the list of food products for which irradiation is permitted under the food code. A revision issued on April 8, 2005 established new Maximum Residue Limits (MRLs) and modified existing MRLs. The Food Code was last updated June 22, 2005.

2. Food Additive Code

The Food Additive Code defines standard specifications for individual food additives and usage standards. As of July 2005, the Food Additive Code listed standards for 420 types of chemical synthetics, 195 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 June 2005 version is the latest edition of the Additive Code.

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, etc.

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, respectively.

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.

Korea requires pre-approval of meat facilities, including slaughter plants, processors, warehouses, etc., prior to export of the product to the Korean market. Pre-approval is facilitated by registration with the FSIS and listing in the FSIS Meat, Poultry Inspection Directory. 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/Frame/FrameRedirect.asp?main=http://www.fsis.usda.gov/OFO/export/KOREASO.htm>. This website also provides guidance in what documents need to accompany livestock product shipments destined for Korea.

J. Product Certification

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.

1. **Beef and Beef Products:** Prior to December 27, 2003, red meat products were required to be accompanied by the following FSIS certificates:

- a. FSIS Form 9060-5, Meat and Poultry Export Certificate of Wholesomeness
- b. FSIS Form 9305-4, Certificate for Export of Meat to the Republic of Korea

These forms may change depending on the outcome of negotiations between the U.S. and Korea.

*On December 23, 2003, in response to the finding of one positive case of BSE in Washington State, Korea banned all ruminant animals and their products originating from the United States. Korea has similar bans on all ruminant products coming from 34 countries – 30 European nations, Japan, Israel, Canada and the United States. A total of 680 U.S. products have been banned due to the BSE situation. Only 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), and fish meal produced in a facility dedicated for producing only fish meal can be imported from approved plants. Korea has indicated its willingness to allow imports of the following products. However, details on certification, plant approval, etc., have yet to be completed. The products are: 1) Gelatin and collagen originating from hides and skins only; 2) Dicalcium phosphates free of protein and fat; and, 3) Hydrolyzed poultry protein for animal feed ingredients. The Korean government will lift the import ban after reviewing each product separately.

2. Pork and Pork Products

- a. FSIS Form 9060-5, Meat and Poultry Certificate of Wholesomeness
- b. FSIS Form 93-5-5, Certificate for the Export of Pork Meat to the Republic of Korea

3. Poultry Products

- a. FSIS Form 9060-5
- b. FSIS Form 9305-2A

4. Sheep and Goat Meat and Sheep and Goat Meat Products

- a. FSIS Form 9060-5, Meat and Poultry Certificate of Wholesomeness
- b. FSIS Form 9305-6, Certificate for Export of Sheep and Goat Meat and Sheep and Goat Meat Products to the Republic of Korea

5. Pork Casings

- a. FSIS Form 9060-7
- b. FSIS Form 9305-5

6. Processed Meat Products: Processed meat products such as sausages, hamburger patties and ground meat do not need to indicate slaughter information on the FSIS Form 9305-4. These products are required to indicate only processing information.**7. 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.

8. 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

9. 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 prior to export to Korea in response to the Bt 10 incident in the United States. After that, 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. In response to concerns expressed by several WTO members including the United States, Korean Government reduced the number of chemicals for which they test and lowered the testing fee on May 21, 2004. On April 9, 2005, the Ministry of Health and Welfare (MHW) also revised the Ministerial Ordinance of the Food Sanitation Act. The proposed revision will:

- 1) Eliminate mandatory annual laboratory inspection for imported agricultural products and eliminate mandatory inspection every three years for imported processed food products;
- 2) Exempt mandatory laboratory inspection of food products that have a clean record for certain duration.

On June 13, 2005, KFDA announced a proposed revision to the Import Inspection Guidelines. The proposal 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. The revisions will restore the level of market access for imported products in place prior to August 2003 with a reduction in inspection fees 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 “first-to-file.” 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 first register their trademarks.

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 inspections for 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. They will evaluate products for foreign country requirements and issue a certificate that minimizes the chances of product rejection. For more information on the services that the Export Service Center provides, please 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. For more information on the services that Omic USA provides, please contact:

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

1. Invoice
2. Bill of Lading, or Airway Bill
3. Packing List
4. Certificate of Origin (not required if there is "Made in USA" on the label.)
5. Names of all ingredients with percentage of major ingredients
6. Processing Method
7. Certificate of Production Date
8. Packing Material (not required for bottles, cans and paper packages)
9. Non-biotech (certification for corn, soybeans and potatoes)
10. 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. 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

Like 2003, the sales growth of the overall retail market has slowed in 2004 due to the sluggish economy and the shrinking sales of traditional retailers. The total market size of department stores sustained negative growth over the past two years. However, it is expected that department stores will show slight growth in 2005, while hypermarkets will enjoy double-digit growth.

Another rapidly growing segment is 'on-line' retailing. More people are shopping on-line for convenience and better assortment. 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. Breakdown of Retail Market Sales in Korea

Segment	2003 Sales	2004 Sales	Growth %
Hypermarkets	\$18.6 billion	\$20.6 billion	10.8%
Traditional Market	\$17.1 billion	\$16.0 billion	-6.4%
Department Stores	\$16.6 billion	\$15.9 billion	-4.2%
On-line Shopping	\$7.19 billion	\$7.36 billion	2.4%
Convenience Stores ¹	\$3.46 billion	\$3.96 billion	14.5%
Supermarkets ²	\$1.74 billion	\$1.72 billion	-1.1%

Exchange rate: \$1 = 1,050 Korean won

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

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

Sources: Distribution Industry Yearbook 2005 and Food Distribution Yearbook 2005

Table 4. Food Sales by Retail Format

Year 2004	Percent of Sales from Food Items
Department Stores	14.2%
Hypermarkets	54.1%
Supermarkets	82.4%
Convenience Stores	52.7%
On-line Shopping	8.9%

Source: Distribution Industry Yearbook 2005

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. 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 distributors 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. This situation is not expected to change in the near future.

1. Department Stores/Shopping Centers. According to the Korea Super Chain Association (KOSCA), the average annual sales per store of department stores and shopping centers surveyed amounted to \$139.7 million in 2004. Within that amount, food and beverage sales accounted for 14.2 percent in 2004. The three main department stores in Korea are Lotte, Hyundai and Shinsegae. Future prospects for department stores sales are not bright because of competition with hypermarkets and discount stores.

2. Supermarkets. There were 255 supermarkets surveyed by KOSCA. The total sales of these supermarkets were \$1.72 billion in 2004, slightly down from \$1.74 billion in 2003. The average annual sales of the 255 supermarkets surveyed by KOSCA were \$2.24 million per store in 2004. Of the average annual sales per outlet, food sales accounted for 82.3 percent. The major players in this market are GS Supermarket, Lotte Supermarket Haitai Mart, Top Mart, Bada Mart and Good Morning Mart. This industry suffered about one percent negative growth in 2004 over the previous year.

3. Convenience Stores. According to the KOSCA report, there were 8,247 outlets belonging to eight companies (Mini-Stop, Buy The Way, Seven-Eleven, C Space, GS25, Family Mart, OK Mart and Joy Mart) in 2004, up from 7,200 stores in 2003. The total sales of those eight companies were \$3.96 billion in 2004, 14.5 percent up from \$3.46 billion in 2003, and the average annual sales per store was \$480,660 in 2004. Of the total sales, food and beverage sales accounted for 52.7 percent in 2004, compared to 58 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. The total sales of hypermarkets were \$20.5 billion in 2004, up from \$18.6 billion in 2003. The three big players in this sector including E-Mart, Home Plus and Lotte Mart accounted for 62 percent of the total sales of this sector in 2004. The average annual sales of the 269 discount stores surveyed by the KOSCA in 2004 amounted to \$76.3 million per store. Of the average annual sales per store, food and beverage products accounted for 54.1 percent. Sales for this sector are expected to grow significantly, about 10-20 percent per 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

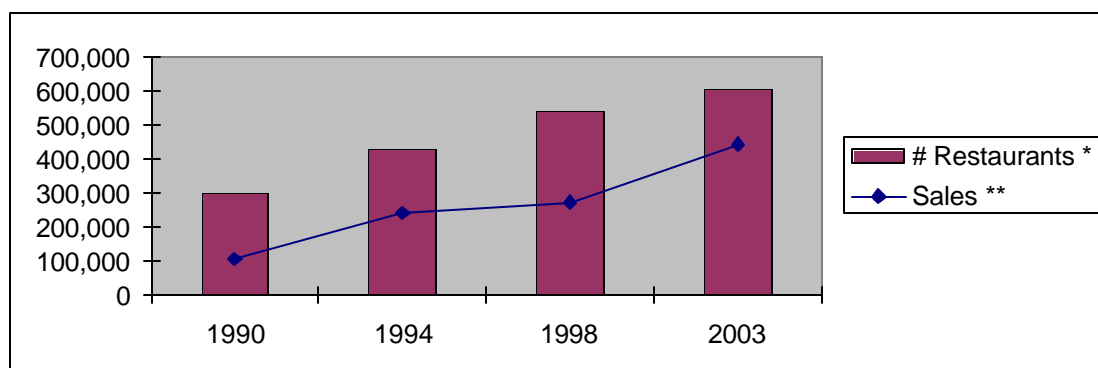
The Monthly Statistics of Korea (July 2005 Issue) shows that the average monthly expenditures on food and beverages per household in cities in 2004 were \$519, accounting for 23 percent of a household's total expenditures. The eating-out expenditure has been increasing very fast and accounted for 46.6 percent of the total expenditures of food and beverages in 2004.

Table 5: Average Monthly Expenditures on Food Items per Household in 2004

Food Items	US\$	Percent
Cereals and bread	46.00	8.86%
Meat	37.81	7.29%
Dairy products	20.10	3.87%
Fish and shellfish	31.14	6.00%
Vegetables & seaweeds	38.76	7.47%
Fruits	31.33	6.04%
Oils, fats & seasonings	17.33	3.34%
Bakery & confectioneries	22.10	4.26%
Tea, soft drinks & Alcoholic beverages	21.90	4.22%
Other foods	10.67	2.06%
Eating out	241.81	46.60%
Total Expenditure	518.95	100%

1\$ = 1,050 won

The Korean food service sector garnered \$41.2 billion of cash register sales in 2003, up 9 percent from the previous year. The total number of restaurants showed a slight 2 percent increase to 605,614 with 1.59 million employees. However, 90 percent of restaurants were small family-owned businesses that hired less than five employees. In addition, about 64 percent of restaurants made less than ₩50 million of annual cash register sales.

Chart 2: Growth of the Korean Food Service Sector

* Note: Number of restaurants

** Note: Annual cash register sales (unit: ₩100 million)

Source: Korean government statistics (Dec. 2004)

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: Break Down of Restaurant Industry by Type of Restaurant (Year 2001*)

Type of Restaurant	No. of Restaurants	Annual Sales	No. of Employees
Full Svc Korean Restaurants	45.3%	43.1%	44.6%
Full Svc Chinese Restaurants	4.8%	4.5%	5.3%
Full Svc Japanese Restaurants	1.0%	2.8%	1.9%
Full Svc Western Restaurants	2.6%	4.9%	4.0%
Institutional Feeding Restaurants	0.5%	2.4%	1.7%
Quick Svc Western Restaurants	4.8%	7.9%	6.0%
Quick Svc Korean Restaurants	9.8%	5.4%	7.2%
Bars and Pubs	21.5%	19.6%	20.1%
Bakery Shops	1.7%	2.2%	1.8%
Tea & Coffee Shops	6.7%	4.6%	5.9%
Total	505,241	\$32.6 billion	1,341,528

*Year 2001 is the most recent data available

Source: Korean government statistics 2004

Table 7: Profile of Major Quick Service Western Restaurant Chains (Year 2002)

Company	Brand	Annual Sales	No. of Outlets	Change in 2002
Lotteria	Lotteria	\$505 million	850	+100
Shinmac	McDonald's	\$267 million	361	+40
Genesis	BBQ	\$295 million	1,350	-50
Doosan	KFC	\$238 million	226	-10
	Burger King	\$89 million	114	+1
TS Haemaro	Popeye's	\$124 million	211	+26

Source: Korea Food Distribution Yearbook 2004

Table 8: Profile of Major Family Restaurant Chains (Year 2002)

Company	Brand	Annual Sales	No. of Outlets	Change in 2002
Lotte	TGIF	\$71 million	20	+1
Rise On	Bennigan's	\$67 million	15	+3
Amoje	Marché	\$57 million	15	+3
CJ Foodvill	Sky Lark	\$39 million	46	+24
	VIPS	\$35 million	11	+3
Ojijung	Outback Steak	\$57 million	23	+7
Sunat Food	Tony Romas	\$13 million	6	+1
Barons	Sizzler	\$11 million	4	+1

Source: Korea Food Distribution Yearbook 2004

Table 9 Profile of Major Pizza Restaurant Chains (Year 2002)

Company	Brand	Annual Sales	No. of Outlets	Change in 2002
Pizza Hut Korea.	Pizza Hut	\$285 million	300	+50
Mister Pizza Korea	Mister Pizza	\$9.5 million*	177	+17
DPK International	Domino's Pizza	\$76 million	196	+35

* Note: Sales from the 20 outlets owned by the franchise

Source: Korea Food Distribution Yearbook 2004

Table 10: Profile of Major Coffee Shop Chains (Year 2004)

Company	Brand	Annual Sales	No. of Outlets	Change in 2002
Starbuck's Korea	Starbuck's	\$42 million	58	+24
Rosebud	Rosebud	\$9.5 million	203	+73
Coffeebean Korea	Coffeebean	NA	20	+14

Source: Korea Food Distribution Yearbook 2004

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 2004 were estimated at \$4.4 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 11: Profile of Major Institutional Food Service Companies (Year 2003)

Name of Company	Annual Sales	No. of Outlets	Change in 2003	No. of Meals Serving Daily
Our Home	\$286 million	500	+82	500,000
Samsung Everland	\$324 million	450	+50	450,000
CJ Food System	\$208 million	629	-30	420,000
G-Net (Hyundai)	\$171 million	300	+50	180,000
Shinsegae Food System	\$119 million	350	+90	150,000
Arakor	\$71 million	270	+50	250,000
ECMD	\$77 million	250	+30	18,000
Hanwha Development	\$113 million	205	+18	160,000

Source: Monthly Food Journal (Dec. 2004 Issue)

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, of which there is a large surplus, 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 and beef tallow 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 \$43.8 billion in Korea in 2003.

Table 12. Output of Food Processing by Sector: 2003

Food Processing Sector	Gross output (\$million)	Share (%)
Grain processing	4,586	11.03%
Meat processing	4,357	10.48%
Feed processing	4,075	9.80%
Dairy & Ice cream	3,896	9.37%
Alcoholic beverages	3,605	8.67%
Coffee, tea, soup & other foods	3,596	8.65%
Non-alcoholic beverages	3,079	7.41%
Fish and seafood processing	2,792	6.72%
Bread & Grain preparations	2,393	5.76%
Seasonings, spices & Food additives	2,176	5.24%
Noodles and similar products	1,733	4.17%
Fats & Oils manufacturing	1,311	3.15%
Fruit & Vegetable Processing	1,310	3.15%
Cocoa & sugar confectionery	1,157	2.78%
Sugar manufacturing	764	1.84%
Starch & Sweeteners manufacturing	733	1.76%
Total	41,564	100%

Source: Report on Mining and Manufacturing Survey, Dec. 2004

Most Korean food and beverage manufacturers are small-scale companies. As of the end of 2003, there were 7,940 food, livestock, dairy and beverage manufacturing plants with five or more employees. Of these, there are only 15 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 2006, the three-day Lunar New Year Holiday will take place on January 28, 29 and 30, and the three-day Chusok (Korean Thanksgiving) holiday will take place on October 5, 6 and 7. 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.

E. On-Line Shopping

On-line shopping including TV home shopping, internet shopping, open market, M-commerce, etc. is becoming popular and increasing rapidly. There are 5 TV home shopping companies in Korea, approved by the government, which sell their products in a variety of ways including catalogs, on-line sales, and television sales programming. The total sales of on-line shopping are about \$7.4 billion in 2004, up from \$7.2 billion in 2003. The total sales of food and agricultural products through on-line shopping accounted for about 9 percent of the total on-line shopping sales valued at about \$656 million in 2004.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Product Category	2004 Market Size (1,000 MT)	2004 Imports: (\$ Mil) Total: USA:	5 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Beef	325	544 95	15.6%	Beef: 40%	Currently beef imports are banned due to BSE.	Demand will be strong once ban is lifted.
Pork	922	334 38	14.8%	22.5-25%	Tariff rates are a little bit high.	Good market as a substitute for beef.
Poultry Meat	322	52 10	3.9%	*18-20%	Not manually trimmed. Imports other than legs are small.	Price-competitive in case of chicken legs.
Citrus	720	143 137	38.7%	Orange: 50% Grapefruit : 30% Lemon: 30%	High tariff rates	The U.S. is the predominant supplier.
Hay & Fodder	NA	111 103	28.4%	Alfalfa: 1% Others: 2-100.5%	Tariff quotas apply. except for alfalfa	U.S. product is considered high quality.
Chocolate	NA	109 34	15.1%	8%	High quality products are not well known in Korea.	Competitive in prices and design for medium quality products.
Whey	60	73 12	14.8%	20-49.5%	Prices are fluctuating.	Good quality, competitive prices and local production is limited.
Wine	NA	58 8	31.4%	15%	Fewer varieties than French; higher prices than Chilean and Australian wines	Consumption is growing rapidly
Fish and Seafood	3,300	2,189 129	13.5%	*10-20%	U.S. prices are higher than those of competitors.	Good quality
Pet Food	150	52 24	36.7%	5%	High prices	Demand is increasing
Bread, cakes, pastry, etc.	NA	69 15	64.4%	8%	Higher prices	Good quality
Nuts	NA	47 29	20.9%	Almond: 8% Pistachio: 30% Walnut: 30%	Tariffs are high for pistachios & walnuts and in-shelled walnuts are prohibited.	U.S. is a dominant supplier.

*The tariff rates are different depending upon the product, and for some fish there are adjustment tariffs, which are a lot higher than listed above. 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: aphis@kornet.net
Website: www.aphis.usda.gov

For information about activities by Strategic Trade Regional Groups, please contact:

Mid-America International Agri-Trade Council (MIATCO)

400 West Erie Street, Suite 100, Chicago, Illinois 60610

Telephone: 312-944-3030 Fax: 312 944-1144

E-mail: eriggs@miatoco.org

Website: www.miatco.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	14,670/23.7
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%) ¹	3,494/22.5
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%) ¹	2,198/5.9
Total Population (Millions) / Annual Growth Rate (%)	48/ 0.5
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)	\$14,144
Unemployment Rate (%)	3.7
Per Capita Food Expenditures (U.S. Dollars) ⁵	\$519
Percent of Female Population Employed ⁶	48.3
Exchange Rate (US\$ = Korean won) ⁷	1,043.8

All data are for 2004 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/ Average monthly household expenditures in cities on food and beverage

⁶/ % of women employed against total number of women (15 years old or above)

⁷/ Year-end exchange rate of won against the U.S. dollar in 2004

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		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
CONSUMER-ORIENTED TOTAL	3,074	3,564	NA	1,311	1,551	NA	43%	44%	NA
Snack Foods (Excl. Nuts)	140	154	NA	35	39	NA	25%	25%	NA
Breakfast Cereals & Pancake	6	6	NA	1	2	NA	24%	25%	NA
Red Meats, chilled/frozen	1,160	1,370	NA	673	901	NA	58%	66%	NA
Red Meats, Prepared/Preserved	43	47	NA	19	21	NA	43%	44%	NA
Poultry Meat	102	96	NA	56	35	NA	55%	37%	NA
Dairy Products	99	86	NA	16	14	NA	16%	16%	NA
Cheese	85	94	NA	15	17	NA	17%	18%	NA
Eggs & Products	18	16	NA	7	6	NA	39%	34%	NA
Fresh Fruit	139	278	NA	96	126	NA	69%	45%	NA
Fresh Vegetables	39	76	NA	1	11	NA	2%	14%	NA
Processed Fruit & Vegetables	309	388	NA	98	98	NA	32%	25%	NA
Fruit & Vegetable Juices	102	105	NA	38	42	NA	37%	40%	NA
Tree Nuts	28	37	NA	24	32	NA	85%	86%	NA
Wine & Beer	42	60	NA	8	11	NA	18%	18%	NA
Nursery Products & Cut Flowers	34	32	NA	1	1	NA	0.93%	0.81%	NA
Pet Foods (Dog & Cat Food)	36	51	NA	17	28	NA	47%	54%	NA
Other Consumer Products	692	667	NA	208	169	NA	30%	25%	NA
SEAFOOD PRODUCTS TOTAL	1,807	1,823	NA	165	143	NA	9%	8%	NA
Salmon	18	19	NA	1	1	NA	4%	7%	NA
Surimi	115	120	NA	57	53	NA	50%	44%	NA
Crustaceans	340	310	NA	13	7	NA	4%	2%	NA
Ground fish & Flatfish	667	711	NA	66	64	NA	10%	9%	NA
Mollusks	177	202	NA	1	1	NA	0.3%	0.4%	NA
Other Fishery Products	489	461	NA	27	17	NA	6%	4%	NA
CONSUMER & FISHERY TOTAL	4,881	5,387	NA	1,476	1,694	NA	30%	31%	NA

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

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

Table C-1: CONSUMER-ORIENTED AGRICULTURAL TOTAL

Reporting Country: Korea, Republic of Top 15 Ranking	Import		
	2002	2003	2004
	1000\$	1000\$	1000\$
United States	1,310,703	1,550,617	NA
China (Peoples Republic of)	339,454	416,435	NA
Australia	315,646	304,980	NA
New Zealand	131,712	163,958	NA
Philippines	38,236	143,927	NA
Thailand	83,512	115,684	NA
Japan	94,675	104,184	NA
France	59,884	90,667	NA
Canada	94,795	71,874	NA
Netherlands	70,673	67,137	NA
Belgium	82,478	54,747	NA
Denmark	62,741	51,670	NA
Chile	19,060	50,006	NA
Brazil	49,615	47,481	NA
Germany	37,728	40,612	NA
Other	283,147	290,003	0
World	3,074,090	3,564,017	0

Table C-2: FISH & SEAFOOD PRODUCTS

Reporting Country: Korea, Republic of Top 15 Ranking	Import		
	2002	2003	2004
	1000\$	1000\$	1000\$
China (Peoples Republic of)	709,721	693,934	NA
Russian Federation	213,932	297,958	NA
Japan	141,173	143,545	NA
United States	164,663	142,858	NA
Vietnam	116,291	127,882	NA
Thailand	83,668	93,364	NA
Canada	42,810	49,675	NA
Taiwan (Estimated)	54,702	42,565	NA
Norway	25,301	24,621	NA
Indonesia	21,533	23,190	NA
Philippines	14,936	19,690	NA
India	17,741	17,404	NA
Chile	10,714	16,816	NA
United Kingdom	21,871	11,677	NA
Morocco	11,576	10,012	NA
Other	155,920	107,832	NA
World	1,806,561	1,823,015	NA

NA - Data not available (not reported)

Data: Harmonized Tariff Schedule (HS 6 Digit)

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