

Voluntary Report – Voluntary - Public Distribution

Date: April 29, 2021

Report Number: KS2021-0012

Report Name: COVID-19 Impact on Food Market Trends in Korea

Country: Korea - Republic of

Post: Seoul ATO

Report Category: Agricultural Situation, Promotion Opportunities

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Report Highlights:

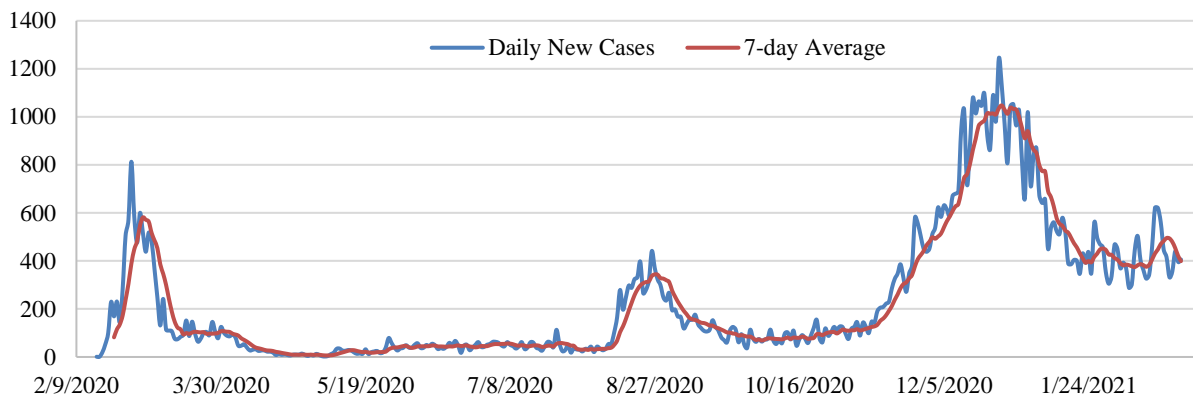
COVID-19 has shaped food trends in South Korea. Online food sales grew by 46 percent in 2020 to \$17 billion. Spending on home meal replacement kits and wine increased as people ate and drank more at home. The restaurant industry suffered as eating in restaurants decreased by 7.5 percent.

COVID-19 IN KOREA

COVID-19 Statistics

South Korea has controlled the spread of COVID-19 relatively well. South Korea reported 110,688 cases and 1,775 deaths as of April 13, 2021. This equates to 2,158 cases 35 deaths per million people. There were three peaks, with the highest falling in December 2020.

Daily New Cases in South Korea, February 2020 - February 2021



Source: Korea Disease Control and Prevention Agency

Social Distancing Rules

Korea has enacted five social distancing levels: 1, 1.5, 2, 2.5, and 3. Each level comes with different restrictions. Levels 1, 1.5, 2 are used when there is a regional outbreak. Levels 2.5 and 3 are used when there is a national epidemic. As of April 12, Korea is applying level 2 social distancing rules for Seoul and Gyeonggi province and level 1.5 for other provinces. The government lowered the social distancing level to these levels on February 15th, in part to help struggling small business owners and the self-employed. Korea began distributing COVID-10 vaccines in late February 2021. Updates are available on the [Ministry of Health and Welfare's website](#). The following are some of the current social distancing policies:

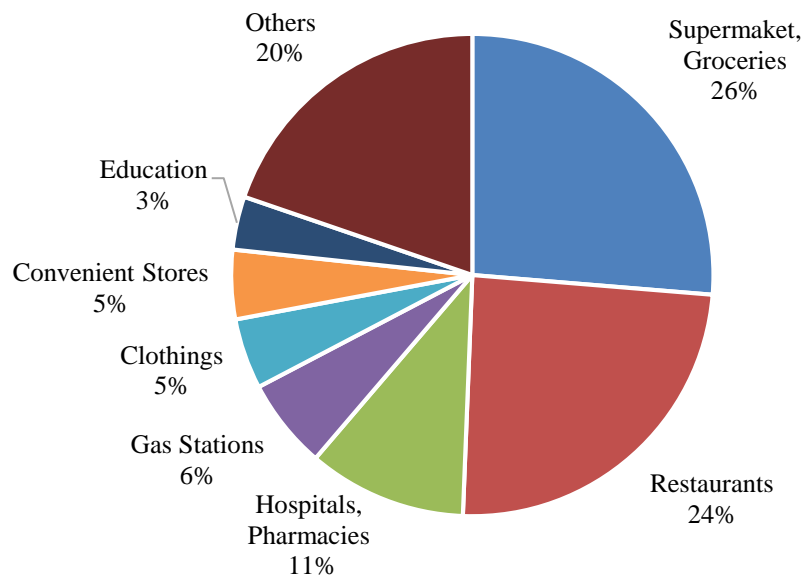
- Schools: First and second-year elementary school students and high school seniors have been going to school every day since March. Most other students are attending a mix of in-person and virtual classes under level 2 social distancing rules. This has resulted in decreased demand for school meals.
- Colleges: Most classes are being offered online, with a few exceptions for lab courses and classes with less than 20 students. Retail stores and restaurants in college towns have experienced sharp drops in business.
- Offices: Most corporations are keeping one half to two thirds of their employees in the office at any given time, with the rest teleworking. Companies with over one hundred employees are recommended to implement two to three telework days a week. According to the job-hunting website *Incruit*, more than half of white-collar employees have teleworked.

MARKET OVERVIEW

Disaster Relief Funds

The Korean government has provided disaster relief funds three times and is currently considering a fourth payment. The first payment was in April 2020 and the second in September. The third fund targeted the self-employed population who have been hit hard by social distancing rules. According to the Ministry of Interior and Safety, a quarter of the funds (\$2 billion) were used at supermarkets and another quarter (\$1.7 billion) were used at local restaurants.

First Disaster Relief Funds Consumer Spending



Source: Ministry of Interior and Safety, August 22, 2020

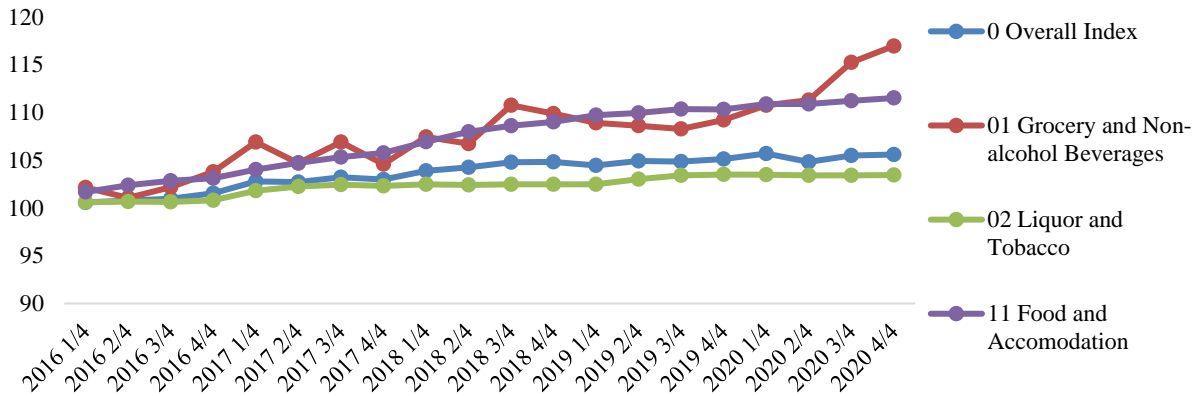
Foreign Labor and Local Production

COVID-19 has prevented the regular flow of foreign workers, creating labor shortages on Korean farms. The Ministry of Employment and Labor said it would allocate 9,400 seasonal workers for agriculture and fisheries, but only 1,384 workers successfully entered the country. As a result, farmers had to hire local workers at higher wages. Other industries were impacted as well. According to a survey of small and medium enterprises, 64 percent of respondents said their production was impacted by the reduction in foreign workers entering the country.

Consumer Prices

While the consumer price index was relatively stable in 2020, grocery prices increased. The increase in grocery prices were attributed to adverse weather and COVID-19 related logistics challenges.

Quarterly Food Category Consumer Prices, 2016-2020



Source: KOSIS

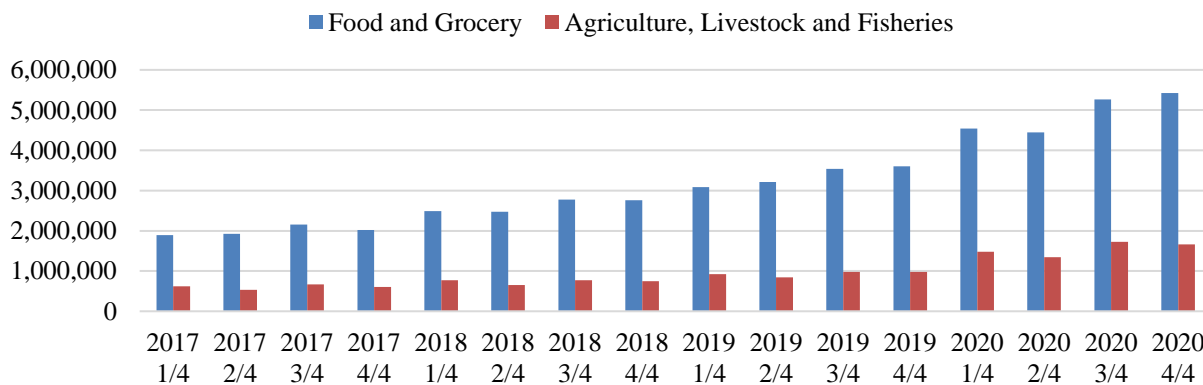
MARKET TRENDS

COVID-19 has created new market trends as well as accelerated some existing trends.

Online Grocery Shopping and Food Delivery

While online food sales were already growing before the pandemic, they jumped sharply in the first quarter of 2020 after the virus hit. Online food sales jumped again in the third quarter of 2020 during the second wave of COVID-19. On an annual basis, online food sales grew by 46 percent in 2020 to \$17 billion. Online food sales are expected to remain strong after the pandemic.

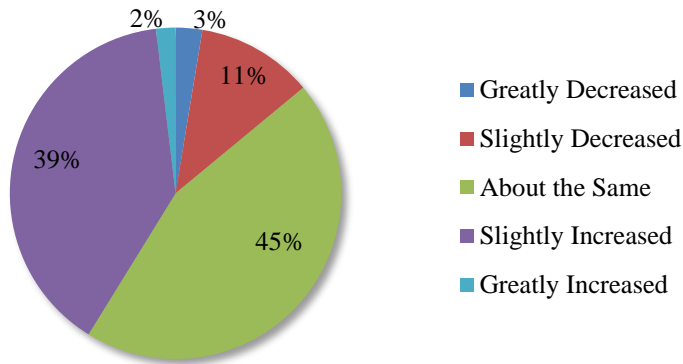
Online Shopping Sales of Food Related Categories, 2017-2020, Million Won



Source: KOSIS

Food and groceries account for the largest portion (13%) of online shopping according to Statistics Korea (March 2020). Food and groceries are followed by electronics, food related services (9.9%) and agricultural, livestock, and fishery commodities (4.1%). Forty-one percent of consumers reported spending more on food delivery and take-out in 2020 in a survey by the Ministry of Agriculture Food and Rural Affairs (MAFRA). The online trend extends across generations. According to *Kakao Commerce*, online orders by Koreans in their 50s and 60s increased by 70 percent.

Consumer Spending on Food Delivery and Take-Out - 2020



Source: MAFRA

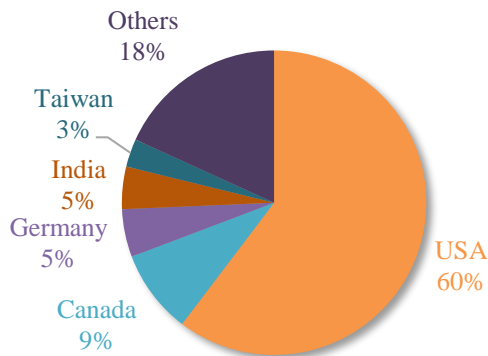
Home Meal Replacements (HMRs)

HMRs have become increasingly popular as people eat at home more and reduce trips to restaurants. Average household spending on HMRs increase to 134,743 won (\$119) in 2020, up from 109,501 won (\$97) in 2019 according to MAFRA. The main reasons consumers reported choosing HMRs were convenience (20.3%), affordable prices (17.6%), good taste (16.4%), and saving time (15.4%). Restaurant Meal Replacement (RMRs) have also started to enter the market. SSG, a leading online retailer, is offering various meal kits in collaboration with prestigious restaurants and hotels. HMRs were already growing in popularity before the pandemic and this trend is expected to continue.

Functional Food

Functional food sales in Korea have been growing 13 percent annually in recent years, totaling \$2.6 billion in 2019 according to the Ministry of Food and Drug Safety. Sales of functional foods shot up during the pandemic as consumers looked for ways to strengthen their immune system. According to the Korea Rural Economic Institute (KREI), sales of red ginseng increased by 263 percent in 2020, while sales of biotics increased 192 percent and vitamin D sales increased by 212 percent. The United States exported \$474 million in functional foods to Korea in 2019, accounting for 60 percent of Korea’s imports.

Top Functional Food Exporters to Korea - 2019



Source: KOSIS

Restaurants

Koreans ate out 7.5 percent less often in 2020 according to KREI. Eighteen percent of respondents said they never ate out in 2020, up sharply from six percent in 2019. MAFRA's Dining Industry Outlook Index decreased in 2020 except for delivery friendly Chinese cuisine restaurants. The average cost for a household restaurant meal was 40,164 won (\$36) in 2020, down 2,030 won (\$1.8) from 2019 according to KREI. Restaurants are currently required to close at 9:00 p.m. and groups are limited to four or fewer people due to social distancing requirements.

Home Drinking

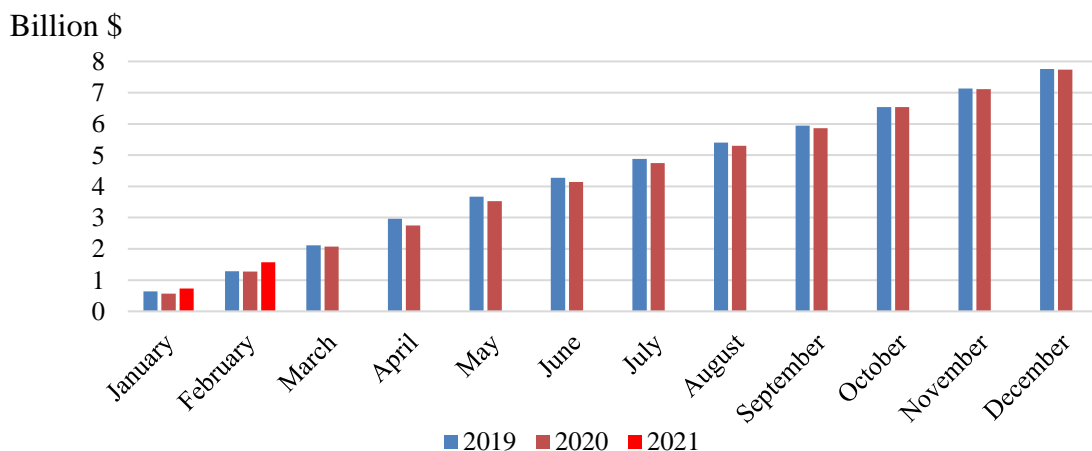
With restrictions on bars and restaurants, South Koreans chose to drink at home during the pandemic. Wine was the alcohol of choice for home drinking in 2020. Korea's wine imports increase 27 percent in 2020 to a record \$330 million. Mid-priced U.S. wines were well placed to take advantage of this trend, and U.S. wine exports to Korea almost doubled in 2020 to \$41 million. See the ATO Seoul [Wine Market Report](#) for additional details.

TRADE

Trade Statistics

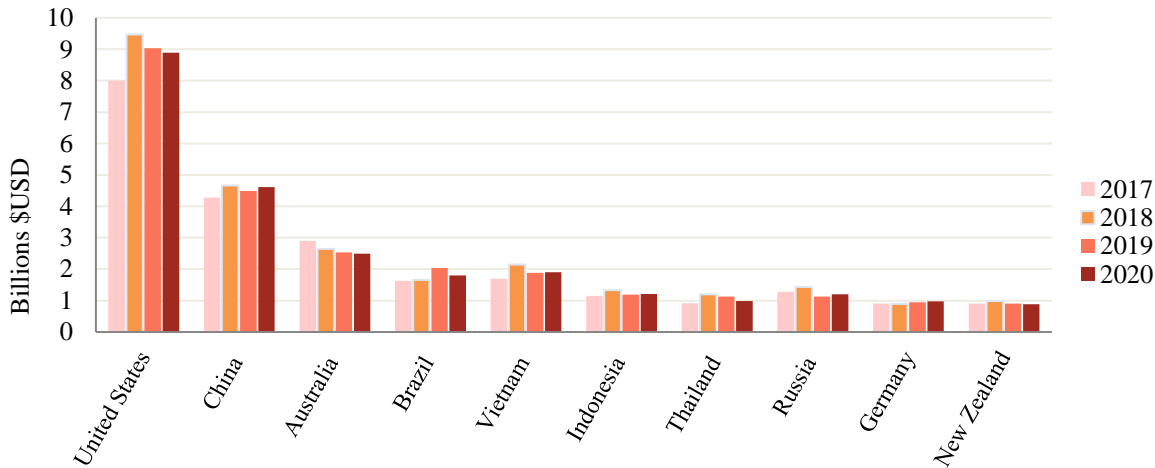
Overall U.S. agricultural exports to Korea were largely unaffected by the pandemic. U.S. exports to Korea in 2020 were down less than half a percent. Consumer oriented exports were down four percent (largely due to a drop in meat sales), but this was made up for by higher corn exports. U.S. wine had the highest export growth amongst consumer-oriented products thanks to increased home drinking. 2021 Exports are currently slightly above last year's pace. The United States continues to be the largest agricultural exporter to Korea.

U.S. Agricultural Exports to Korea – Cumulative by Month



Source: U.S. Census Bureau

Top Agriculture Exporters to Korea



Source: KOTIS

Logistics

U.S. exporters have been impacted by container shortages due to changing trade flows and high container demand in Asia. This has caused shipping rates to increase and created challenges for many agricultural products. The Korean government has taken several steps to try to streamline trade during the pandemic:

- The process of issuing certificates of origin (COO) was simplified. Automatic issuance is available 24 hours a day without screening for authorized economic operators. This measure will help Korean exporters but will have little impact on the U.S. exporters that are already allowed to issue their COO under the U.S.-Korea Free Trade Agreement.
- The government may grant extensions of up to a year if there are delays in issuing a document due to the pandemic. Companies that have difficulty in getting a COO due to office closures may benefit from this measure as Korean importers can be granted extra time to submit a COO.

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Attachments:

No Attachments.