

Voluntary Report – Voluntary - Public Distribution

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Report Name: COVID-19 Impact on Korean Food Retail Market

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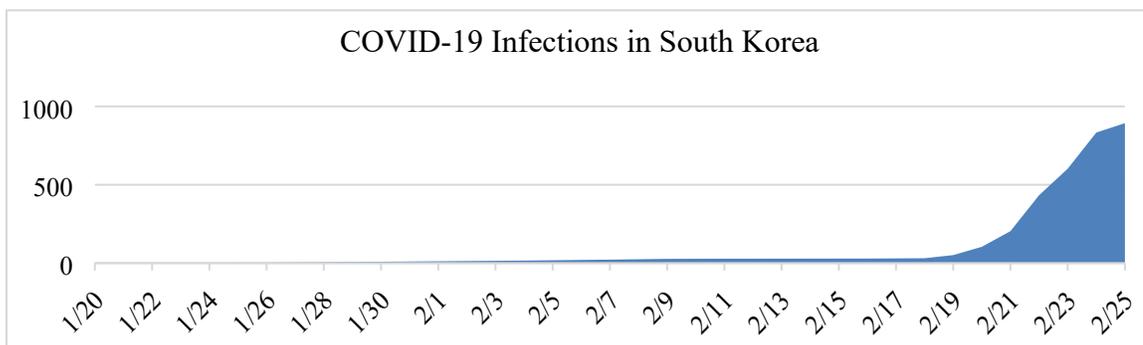
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Report Highlights:

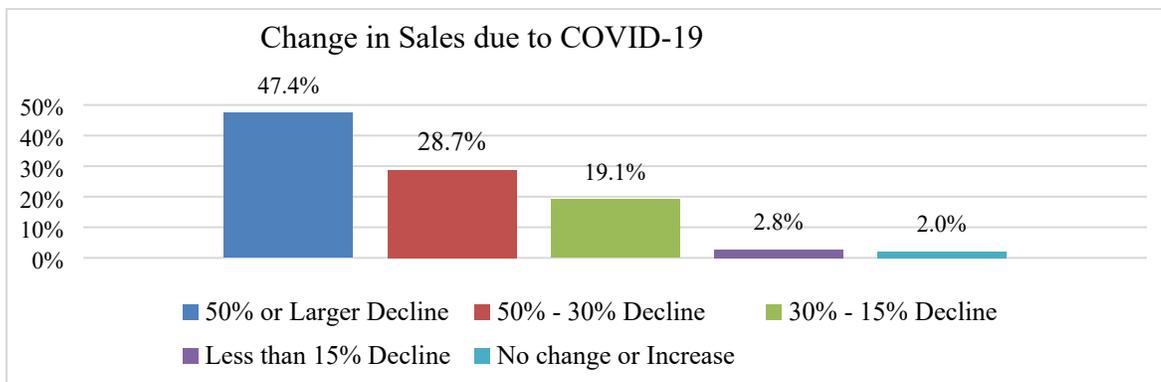
The Korean food market has been significantly impacted by the on-going COVID-19 virus outbreak as consumers since the first local infection reported on January 20, 2020. Restaurant sales have dropped, while home food deliveries have increased.

The Korean food market has been significantly impacted by the on-going COVID-19 virus outbreak since the first local infection reported on January 20, 2020. As an indicator, the Korea Ministry of Land, Infrastructure, and Transport (MLIT) reported on February 25 that public transportation usage in the country declined 51 percent for express buses, 56 percent for railroad trains, and 15 percent for highway traffic between February 21-24 compared to the same period last year.

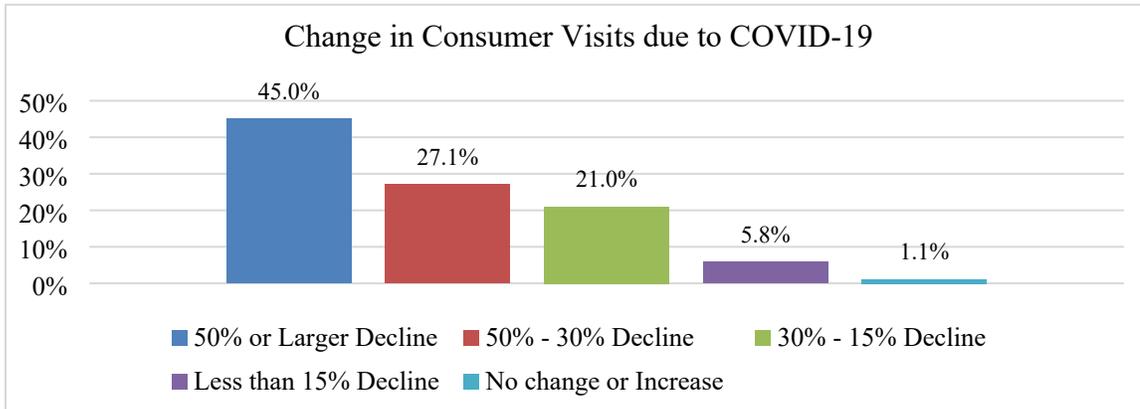
Concern over the virus jumped dramatically after a large outbreak was discovered on February 18 in a religious sect in Daegu city (the largest city in Gyeongbuk province in the southeast of Korea). At the time of this report, new daily infections are highest in Gyeongbuk province and the local government is making extra efforts to reduce further spread of the disease to other regions in the country. As of February 26, 1,146 people in South Korea tested positive for the virus with 11 deaths. Just one week earlier, the number of virus cases in Korea was 51.



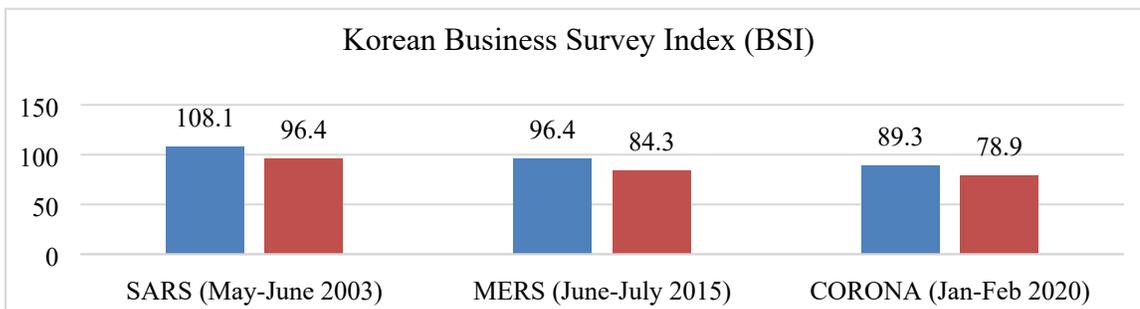
The local retail and restaurant industries have reported a sharp decline in consumer visits and sales. The Korea Small Business Federation reported on February 20 that 97.6 percent of small businesses in Korea saw sales decline since the outbreak of COVID-19 in mid-January. The sales decline was mainly due to reduced consumer visits and weaker economic activity in the market.



Source: Korea Small Business Federation Survey (February 13-19, 2020 / 1,079 businesses surveyed nationwide)



The local economy is slowing down due to weak retail sales and reduced economic activity. Many companies have temporarily closed their offices and processing facilities for the week of February 23 to prevent spread of the virus. All public schools in Korea have postponed the start of the new school semester by one week (March 9 as opposed to March 2). The Korea Economic Research Institute (KERI) reported on February 24 that its Business Survey Index (BSI) for February 2020 fell to 78.9, down 7.6 points from January, the lowest level since February 2009. KERI noted that the monthly decline in the BSI was smaller than the drop during the SARS virus in 2003 (down 11.7 points) and the MERS virus in 2015 (down 12.1 points). However, KERI stressed that the BSI may decline further in March if COVID-19 continues to spread.



Source: Korea Economic Research Institute (KERI) www.keri.org
 KERI's BSI is based on a survey of 600 leading businesses in the market.

The following are summaries of some of the press coverage on COVID-19:

Retail Stores Suffer from Reduced Consumer Traffic (2/18)

Lotte Mart, a leading hypermarket retailer, reported on February 18 that its sales and store visitors declined by 13 percent and 16 percent respectively during the last 30 days. Some conventional retailers have had to close stores for several days for disinfection after they were visited by infected people. For example, four large stores, including department stores and hypermarket stores, closed during the weekend (February 22-23) after people with the virus were found to have visited the stores.

Healthy & Eating Home Foods Report Solid Sales Growth (2/18)

Lotte Mart reported that some of its food sales showed solid growth despite reduced consumer traffic as consumers opted for eating at home instead of dining out. Pork meat (24 percent), cabbage (55 percent),

carrots (34 percent), onions (19 percent) were some of the products that had increased sales. EMART, another hypermarket grocery store retailer, also reported strong growth in food sales related to eating home. EMART reported 17 percent growth in health functional food sales during the last 30 days.

Consumers are Buying Up Emergency Foods (2/18-25)

Consumers are stockpiling food supplies. EMART, the leading hypermarket retail chain, reported that its stores in Daegu city saw a 123 percent, 105 percent, and 62 percent sales growth for rice, instant noodles, and bottled water respectively over February 19-20 compared to the same period last year. SSG.com, a leading on-line grocery retailer, reported on February 24 that orders for canned foods increased 268 percent, rice 187 percent, instant noodles 175 percent, prepared meals 168 percent, and bottled waters 116 percent compared to the previous week.

On-line Retailers Report Strong Sales Growth for Food Delivery (2/18-25)

Market Curly, a leading fresh food on-line retailer, reported on February 18 that its daily sales of food products almost doubled in February as consumers opted for home-delivery orders while reducing trips to stores out of fear of COVID-19. SSG.com, a leading on-line grocery store, reported that its grocery food sales grew 98 percent January 20 through February 20. Because of surging orders, all major online retailers are finding it difficult to ship products under normal schedules. For example, Coupang, the number one online retailer, currently offers only limited products for overnight deliveries.

Price of Agricultural Products Jumps due to Reduced Imports from China (2/21)

According to the Korea Agro-Fishery Marketing Corporation (aT), the price of red chilies in the wholesale market increased 31 percent during February 12 and 20 as the supply of imported chilies from China was reduced due to COVID-19. Korea's imports of agricultural products from China declined 67 percent in January 2020 to 101,052 metric tons compared to the same period last year. Other fresh agricultural products that saw a significant price increase due to reduced supply from China include carrots (28 percent), spinach (17 percent), and cabbages (6 percent). Prices for prepared kimchi also increased 20 percent as Korea relies heavily on imports from China. Korean retailers and restaurants are worried as it will take time for Chinese distributors and processors to resume normal operation.

Attachments:

No Attachments.