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Product Brief

Korea : Canned Sweet Corn

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Seoul[KS1], KS

SECTION I. MARKET OVERVIEW

- U.S. canned sweet corn holds excellent prospects to increase its share of the Korean market. An expanding economy, growing familiarity with non-traditional foods and westernized eating styles (especially among the younger generation), and rising consumer awareness of healthier eating patterns, are forces behind Korea's explosion in demand for canned sweet corn. With the economy well into its recovery from the 1998 economic crisis, demand within the food service sector, long a primary user of whole kernel sweet corn, is rising rapidly.

- Consumer demand is met solely through imported products as Korea does not grow sweet corn. Well recognized for good quality and taste, U.S. products dominate both the retail and food service sectors, holding an 80-percent share of the canned sweet corn market.

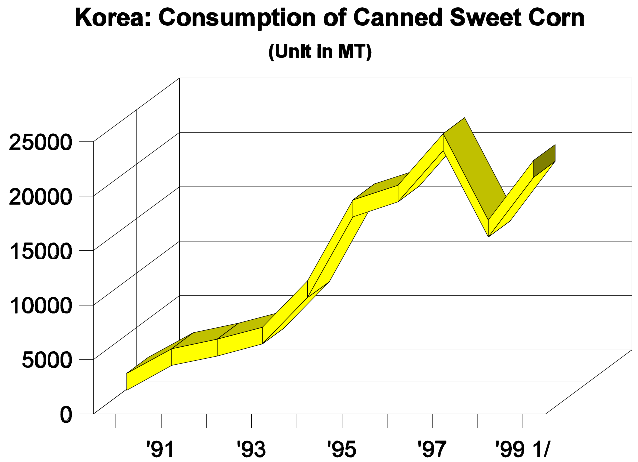
- The Korean canned sweet corn market remains promising for competitive U.S. suppliers with demand expected to grow at a 15-20 percent clip over the next 3-5 years. More dramatic growth is most expected within the direct retail market as development of the large-scale retail outlet sector should translate to broader consumer access and more opportunities for new-to-market suppliers. The food service sector, too, should experience moderate growth through rising consumption at restaurants driven by the economic recovery Korea is now enjoying.

Advantages	Challenges
No domestic competition.	To remain price competitive.
Widely used within the food service sector	To overcome inefficient distribution channels.
Consumer taste acceptance and view, by many, as a healthy, dietary food.	To overcome food safety concerns harbored by some consumers for imported foods.
Multiple retail qualities such as: long shelf life, low per unit price, smaller pack, and easy-to-handle shipping packages.	To develop product characteristics attractive to further use as ingredients.
U.S. products strong reputation for high quality, good taste and safeness.	To overcome rising consumer concern with safeness of GM food products.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

- During the 1990's, except for 1998, demand for canned sweet corn grew at a 15-20 percent clip as the product became popular in the home, in fast food restaurants as a side dish, and in traditional restaurants as a salad or side dish, in soup or as a topping ingredient, etc. With the economic recovery well entrenched, demand is expected to return to pre economic crisis levels for the next few years.

- Retail sector demand, accounting for half the annual disappearance, is spurred by canned sweet corn's image as a healthy, convenient food item. The changing Korean lifestyle which allows less time for preparation of traditional dishes and an increasing acceptance of western-style foods enhance consumers' favorable impression of this affordable product. Development of hypermarkets should be further expand consumers' access to sweet corn, and influence demand for the product.



1/ January-November 1999 data
Source: Korea Trade Information Services

Entry Strategy

- For new-to-market U.S. suppliers, Korea's evolving hypermarket system offers quick access to the Korean consumer. While large retailers still source canned sweet corn primarily through import agents, competitive pressures and changing laws are leading many to reexamine this practice. U.S. sweet corn-based private brand (PB) products, appearing on retail selves, offer another vehicle to the Korean consumer.

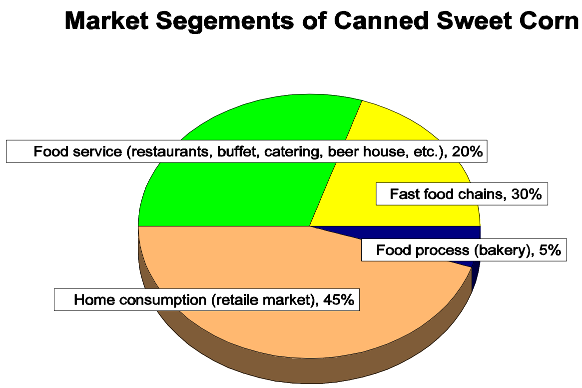
- Product customization for the Korean taste should be pursued to enhance retail success. For example, one major retailer is successfully marketing imported U.S.-based canned sweet corn packed in a solution higher in sugar, lower in salt and enhanced natural flavors.

- The fast food sector, while promising as a marketing vehicle, is difficult for new-to-market products to penetrate. The sector does, however, consume a large volume of premium quality but proven products.

- To penetrate the wholesale sector, suppliers of U.S. canned sweet corn must focus on price. Competition is keen as a considerable volume of canned sweet corn is purchased by food service users such as buffet, catering, institution and restaurants.

Market Size, Structure, Trends

- Korea is an US$50 million retail market which has grown about 10-fold since 1990. As domestic production is negligible, imported products are used to meet consumer demand. Canned sweet corn is marketed in both the retail and food service sectors.



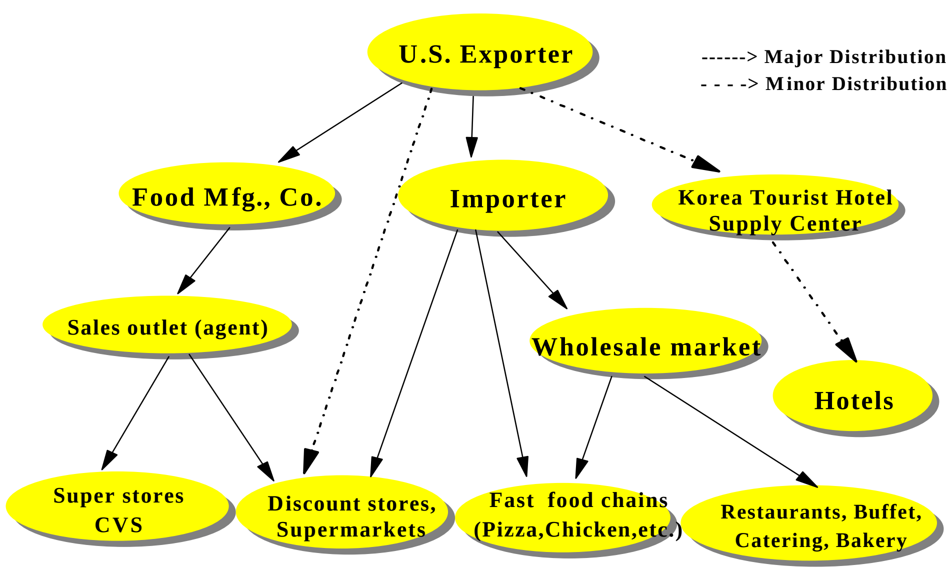
Source: Industry Contacts

- On the retail market, canned sweet corn is well-established, found on retail shelves in most hypermarkets, super stores and convenience stores.

- Demand for canned sweet corn is relatively constant year-round. Store promotions coupled with discount sales, proven vehicles for increasing product sales, revealed a strong product awareness for canned sweet corn.

- Brand names, such as "Green Giant," produced by a U.S. firm, and "Natural Sweet Corn," produced under contract for Dongwon Industry, a Korean food company, command substantial consumer recognition and market shares.

Distribution Channels for Canned Sweet Corn



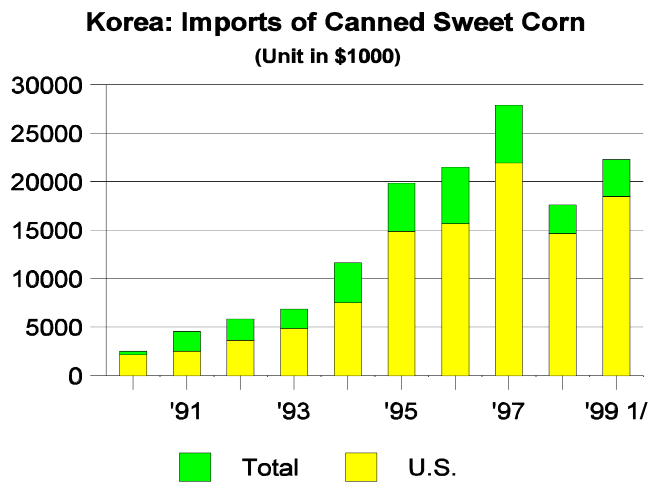
Source: Industry Contacts

Trade/Competition

- Korean canned sweet corn imports have grown 10-fold since 1990, from $2.5 million to $23 million (CIF value) today. The country's economic crisis in 1998 proved only a temporary setback as imports rebounded strongly in 1999.

- Today, the U.S., the dominant supplier of canned sweet corn since the Korean market's opening in 1990, commands about an 80-percent market share. In 1999, U.S. canned sweet corn sales totaled US$18 million. In 1990, sales totaled US$2.1 million.

- Thailand is the U.S.' sole foreign competitor in the Korean market. Thailand products, while 20~30 percent cheaper on average than U.S. products, do not compete in the area of quality or brand name recognition.



1/ January -November 1999 data
Source: Korea Trade Information Services

- Domestic competition remains virtually nonexistent. Annual production and sale of domestic canned corn are about a hundred tons. But the product is not well received as the domestic corn variety is of inferior quality. Irrespective of this, domestic manufacturers are pursuing a marketing tactic of tapping nationalistic sentiments of consumers that has proved marginally successful with other commodities. The reason lays with consumer attitudes where many still equate domestic content with safe food.

Company Profiles of Major Players

Company	Business Type	Sales (1998)	No. of Sales outlet	Location	Purchasing	Distribution
Dongwon Industry	Manufacturer	$621Mil.	1,000	Seoul Nationwide	Direct import, Manufacturing	Hypermarkets, super stores, mom'n pop stores
Ottogi Corp.	Manufacturer	$592Mil.	800	Seoul Nationwide	Direct import, Manufacturing	Hypermarkets, super stores, mom'n pop stores
Hanwha Distrib.	Retailer	$152Mil	46	Seoul Nationwide	Direct import, or from importer	Hypermarkets
Doosan Trading	Trader	$306Mil.	-	Seoul	Direct import	Fast food chains, Wholesale markets

Source: Industry contacts (Exchange Rate: 1 USD/1, 200 Won)

SECTION III. COSTS AND PRICES

- Significant cost factors affecting retail prices include tariffs and the Value-Added Tax (VAT). Canned sweet corn commands a 20-percent tariff on the CIF value. The VAT tax is 10 percent. When tacked onto the import tariff, the effective tariff on imports is 32 percent.

- Markups within the distribution channel vary depending on the market situation. In general, though, the following charges can be expected:

  – by importers: 10% to 15%
  – by large wholesalers: about 5%
  – by small wholesalers: 10% to 15%
  – by retailers: 10% to 20%
  – by large retailers who import directly - more than 30%.

Import Cost Structure

Description	Korea Won	(%)
C&F Price (approx.)	20,000,000	50%
Import Tariff (20%)	4,000,000	10%
VAT (10%)	2,400,000	6%
Other Cost	1,099,000	3%
- Cargo unloading	160,000	
- Container yard	120,000	
- Insurance	190,000	
- Transportation	440,000	
- Customs fee	47,000	
- Inspection fee	40,000	
- Other	102,000	
Net Price of Goods	27,499,000	69%
Estimated Retail Price	40,000,000	100%

Source: Trade Industry (based on one container of 14MT of US canned corn)

- Small volume users, such as beer houses and restaurants that serve smaller quantities of sweet corn, prefer medium sized cans of 400-425 grams to prevent spoilage and wastage.

Korea: Prices of Canned Sweet Corn at Retail and Wholesale Market

(Unit in Korean Won)

Prices at Retail Market				Prices at Wholesale Market			
Unit	Country	Price range	Remark	Unit	Country	Price range	Remark
340 gram	U.S.	850 - 900 900 - 1300	regular can one-touch can	340 gram	U.S.	750 - 900	
340 gram	Thailand	800 - 1000		425 gram 400 gram	Thailand Thailand	800 450 - 500	
2.12 kg	U.S. Thailand	6040 - 6500 4000		2.12 kg	U.S. U.S.	4300 - 5000 3800 - 4000	'A' grade 'B' grade
3 kg	Thailand	3600 - 4400		3 kg	Thailand	3300 - 3500	

Source: Industry contacts (as of January 2000)

- Many stores serving the home-use market find small sized pull-tab (one-touch) cans popular despite the higher price compared to the regular sealed can product.

SECTION IV. MARKET ACCESS

- Compliance with Korea's Food Code, Food Additive Code (FAC), and labeling standards are paramount for successful penetration of the market. The Food Code defines product standards & specifications. The FAC defines additives approved for use in food products. As Korea's approval of food additives stands at one-fifth of that in the U.S., new-to-market products can easily encounter a six months-to-one year approval process for products using unapproved additives. Labeling standards define information required on the packaging.

- New-to-market products are subject to a 100-percent inspection by Korea Food Drug Administrator (KFDA) to determine compliance with above mentioned food regulations. This process can take 3-4 working weeks to complete. To expedite this process, U.S. suppliers may want to consider using KFDA's pre-screening program which uses a host of outside laboratories, including two in the U.S.

- As Korean labeling, packaging and inspection standards continue to evolve U.S. suppliers are advised to maintain close contact with their established Korean importer who should be knowledgeable on current requirements.

SECTION V. KEY CONTACTS AND/OR ADDITIONAL INFORMATION

For more information and/or a list of Korean importers of canned sweet corn, please contact:

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