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## Korea, Republic of

### Food Processing Ingredients Sector

### Food Processing Ingredients Sector

### 2004

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**Report Highlights:**

Korea is a major importer of raw materials and ingredients for food processing. Over 70 percent of food products in Korea are imported. The size of the Korean food processing industry is estimated at \$35.7 billion for 2002, up 8 percent from \$33 billion in 2001. U.S. raw materials and ingredients for use in food processing have a strong opportunity in Korea.

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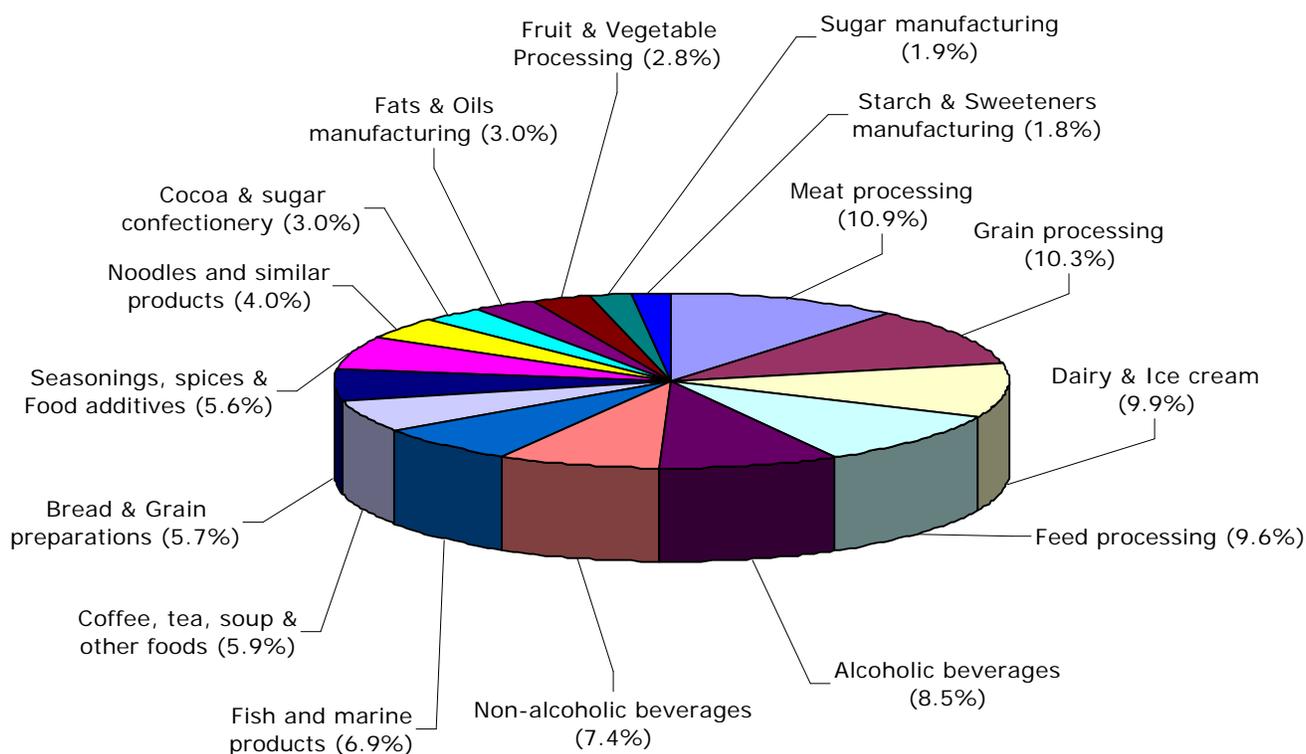
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## SECTION I. Market Summary

The gross output of the Korean food processing industry, including beverages and seafood, is estimated at \$35.7 billion (42.9 trillion Won, \$1 = 1,200 Won) for 2002, up 8 percent from \$33 billion in 2001. The sector is composed of about 7,600 enterprises and about 183,000 employees. Sectoral growth of 3-5 percent annually is expected for the foreseeable future.

The total imports of agricultural, food, fishery and forestry products in 2003 are estimated at \$13.2 billion from the world. With \$3.5 billion in sales, the U.S. accounted for 26 percent of Korean imports. Due to the lack of arable farmland, high production costs and growing food requirements, Korea has been a major importer of basic foodstuffs for further processing. Korea imports about 70 percent of total agricultural product needs. The U.S., China, European Union (EU) and Australia are the major agricultural exporters to Korea. With a territory about the size of the state of Indiana and population estimated at 48 million, Korea was the 5<sup>th</sup> largest market for U.S. agriculture in 2003.

### Output of Food Processing Industry by Sector in 2002



Except for rice, which has a large surplus, Korea imports a broad range of basic, intermediate and semi processed agricultural products. Corn, soybeans, wheat, essential oils, frozen

concentrated orange juice, turkey meat, duck meat, almonds, walnuts, powdered milk, whey powder and beef tallow, seafood, processed fruits and vegetables, coffee, potato products, vegetable oils and cocoa products exemplify the raw materials and ingredients imported into Korea for use in food processing. U.S. suppliers have a strong opportunity to export inputs for use in food processing in Korea.

The United States is the largest supplier of agricultural, food and fishery products to Korea, with a 27.9 percent market share in 2002, followed by China with 19.7 percent, the EU with 11.2 percent and Australia with 8.9 percent. These four countries account for about 68 percent of the total Korean agricultural, food and fishery product imports in 2002.

Table 1. Imports of Agricultural, Food and Seafood in Korea: 2002 (\$million)

Sector	Total	U.S.		China		EU		Australia		Others	
	Value	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
<b>Bulk</b>	2,749	772	28.1	844	30.7	43	1.5	464	16.9	626	22.8
<b>Intermediate</b>	3,142	842	26.8	312	9.9	382	12.1	233	7.4	1,373	43.7
<b>Consumer</b>	3,474	1,346	38.8	337	9.7	771	20.5	301	8.7	719	20.7
<b>Seafood</b>	1,820	165	9.0	711	39.1	55	3.0	1.4	0.1	888	48.8
<b>Total</b>	11,185	3,125	27.9	2,204	19.7	1,251	11.2	999.4	8.9	3,606	32.2

Note: Forest products excluded

Source: Korea Trade Information Service, compiled by ATO Seoul

Table 2. Advantages and Challenges for U.S. Agricultural, Food and Fishery Products.

<b>Advantages</b>	<b>Challenges</b>
Diminishing resistance to imported foods	Tariffs of food ingredients are generally higher than those of high value products
Confidence in U.S. foods	U.S. prices are generally higher than those of competitors' food ingredients
Almost all agricultural and food products are importable	Occasional sanitary/phytosanitary issues cause suspension of imports
Equal or superior quality to domestic and competitors' products	Food safety concerns and biotech issues
Increasing affluence of Koreans	Frequent changes in food regulations
Young generation is becoming more Westernized	Onerous inspection/Customs clearance procedures
Weakening dollar vis-à-vis the Won makes U.S. products more price competitive	High test fees for chemical residues in grains

## SECTION II. ROAD MAP FOR MARKET ENTRY

### A. ENTRY STRATEGY

U.S. agricultural, food and fishery products are generally considered by Koreans as high quality but the prices are generally higher than those of U.S. competitors. When considering the Korean market, exporters should conduct preliminary research to determine if the market is appropriate for the product. Possible sources of market information include Korean importers, U.S. state departments of agriculture, the U.S. Agricultural Trade Office (ATO) website, and the U.S. Department of Commerce. Lists of Korean importers, by product, can

be obtained from the U.S. Agricultural Trade Office, or through the U.S. Department of Agriculture (USDA)/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 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, price lists, shipping dates, supply data, and any other information needed for negotiating a contract. While information in English is acceptable, having it in Korean is helpful and demonstrates serious interest in the market. A general overview of the firm in Korean is a good starting point.

Another way of finding potential importers is to participate in local food shows to showcase your products to a larger audience. Many Korean importers attending shows are seeking 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. A list of Korean trade shows is available from the ATO. See Section V for contact information.

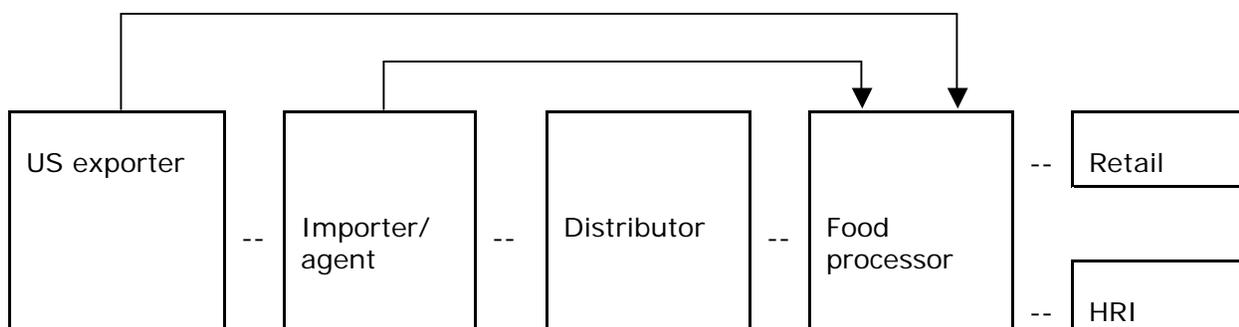
American companies should be sensitive to the uniqueness of the Korean market. An approach or a product that was successful in another market does not mean it will be applicable to Korea. It will be necessary to review the product design, packaging and market approach for the Korean situation, requirements and tastes. A well-developed relationship with a Korean importer is an asset when determining how to best 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. MIATCO 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. See Section V for MIATCO's contact information.

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.

## B. MARKET STRUCTURE

The chart below gives an overview of the usual distribution channel for imported food ingredients from U.S. exporters to Korean food processors.



Large food processing companies generally prefer to buy food ingredients directly from overseas suppliers when the quantities are large. These large companies often prefer to purchase from local importers, agents or distributors when the quantities are small.

### C. COMPANY PROFILES

Below is a table with profiles of the major Korean food manufacturing companies. Information includes company sales, the main end-use channels, production location, procurement channels and contacts.

Table 3. Company Profiles

Company Product types	Sales in 2002 (\$Million)	End-use Channel	Plant Location (No. of Plants)	Procurement Channels	Contacts
Nong Shim (Instant noodles, snacks)	978	Retail and HRI	Korea (5) China (2)	Direct and other importers	*P. 02-820-7114 *F. 02-820-7024 *W. nongshim.co.kr
Lotte Chilsung (Soft drinks, juices, milk)	969	Retail and HRI	Korea (2)	Direct and other importers	P. 02-3479-9114 F. 02-535-8619 W. lottechilsung.co.kr
CJ (sugar, spices, seasonings, wheat flour, edible oils, meat processing)	693	Retail and HRI	Korea(10) Indonesia (3) Philippines (1) Australia (1) Vietnam (1)	Direct and other importers	P. 726-8114 F. 02-726-8049 W. cheiljedang.com
Lotte Confectionery (Confectionery, chewing gum, ice cream)	581	Retail and HRI	Korea (4) U.S. (1) Vietnam (1) Russia (1) China (1)	Direct and other importers	P. 02-670-6114 F. 02-6672-6600 W. lotteconf.co.kr
Dong Suh Foods (Coffee, tea, honey, snacks)	484	Retail and HRI	Korea (6)	Direct and other importers	P. 02-3271-0114 F. 02-714-9414 W. dongsuh.co.kr
Lotte Ham (Pork, ham)	474	Retail and HRI	Korea (3)	Direct and other importers	P. 02-3479-5314 F. 02-3479-5100 W. Lottehammilk.co.kr
Haitai Beverage (Soft drinks, juices)	366	Retail and HRI	Korea (3)	Direct and other importers	P. 02-3219-7114 F. 02-651-9084 W. htb.co.kr
Haitai Confectionery (Confectionery, chewing gum, ice cream)	364	Retail and HRI	Korea (2) U.S. (1)	Direct and other importers	P. 02-709-7766 F. 02-790-8123 W. ht.co.kr
Coca Cola Korea Bottling (Soft drinks, other beverages)	334	Retail and HRI	Korea (3)	Direct and other importers	P. 02-2259-5888 F. 02-2259-5593 W. cckbc.co.kr
Orion (confectionery, chewing gum & snacks)	316	Retail and HRI	Korea (3) Japan (1)	Direct and other importers	P. 02-710-6000 F. 02-719-2582 W. orion.co.kr
Ottopgi (ketchup, mayonnaise, curry)	311	Retail and HRI	Korea (2) Japan (1)	Direct and other importers	P. 02-528-1381 F. 02-528-1949 W. ottogi.co.kr

Daerim Corp. (Fish cake, imitation crab meat, pickled seafood, frozen fish products, dried fish cake, fish sausage)	209	Retail and HRI	Korea (2) Chile (1) Japan (1) U.S. (1) China (1)	Direct and other importers	P. 02-3470-6000 F. 02-523-8900 W. daerimi.com
Shany (bread, ice cream)	196	Retail and HRI	Korea (3)	Direct and other importers	P. 031-739-2000 F. 031-739-2011
Paris Croissant (bread, confectionery)	190	Retail and HRI	Korea (2)	Direct and other importers	P. 031-740-5500 F. 031-740-5520 W. paris.co.kr
Samyang (Sugar, edible oils, premixes, wheat flour)	183	Retail and HRI	Korea (11) Japan (1) U.S. (1) Germany (1) Vietnam (1) Hong Kong (1)	Direct and other importers	P. 02-740-7114 F. 02-743-7720 W. samyang.co.kr
Korea Nestle (Coffee, infant formula, nutritional food)	181	Retail and HRI	Korea (1)	Direct and via other importers	P. 02-590-0011 F. 02-737-2295 W. nestle.co.kr
Korea Yakult (Instant noodle, fermented milk)	176	Retail and HRI	Korea (3)	Direct and via other importers	P. 02-3449-6000 F. 02-3449-6655 W. yakult.co.kr
Ottogi Ramyun (Instant noodles)	167	Retail and HRI	Korea (2) Japan (1)	Direct and via other importers	P. 031-683-1811 F. 031-683-1242 W. ottogi.co.kr
Namyang Milk (Processed milk products, beverages, tea)	159	Retail and HRI	Korea (3)	Direct and via other importers	P. 02-734-1305 F. 02-739-9689 W. namyangi.com
Samyang Food (Instant noodles, snacks, soy sauce, ice cream, milk)	157	Retail and HRI	Korea (2) U.S. (1) China (1)	Direct and via other importers	P. 02-940-3000 F. 02-942-4350 W. samyangfood.co.kr
Donga Otsuka (Beverages, soy milk)	150	Retail and HRI	Korea (3)	Direct and via other importers	P. 031-470-2114 F. 031-470-0436 W. donga-otsuka.co.kr

Sales included only food products and packages, but meat products not included.

\*P stands for phone number, \*F for fax number and \*W for Website.

Note: Country code for Korea is 82. The "0" of the city code is dropped when calling from abroad.

#### D. SECTOR TRENDS

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 due to limited local supply in terms of quantity and variety. Over 70 percent of Korea's food products are imported. The area of cultivated land declined to 1,863,000 hectares in 2002, down more than 6 percent from 1,985,000 hectares in 1995, due mainly to the loss of farmland to ever expanding urbanization.

Korea has a diverse food-processing sector. Concurrently, Korean consumers exhibit a tendency for nationally produced goods, while still seeking an expanding variety of products.

Increased buying power, international travel and cosmopolitan living all lend to growing demand for a diversity of locally produced food items.

Table 4. Output of Food Processing by Sector: 2002

<b>Food Processing Sector</b>	<b>Gross output (\$million)</b>	<b>Share (%)</b>
Meat processing	3,895	10.9%
Grain processing	3,691	10.3%
Dairy & Ice cream	3,535	9.9%
Feed processing	3,430	9.6%
Alcoholic beverages	3,030	8.5%
Non-alcoholic beverages	2,637	7.4%
Fish and marine products	2,449	6.9%
Coffee, tea, soup & other foods	2,124	5.9%
Bread & Grain preparations	2,028	5.7%
Seasonings, spices & Food additives	2,001	5.6%
Noodles and similar products	1,426	4.0%
Cocoa & sugar confectionery	1,086	3.0%
Fats & Oils manufacturing	1,066	3.0%
Fruit & Vegetable Processing	1,014	2.8%
Sugar manufacturing	676	1.9%
Starch & Sweeteners manufacturing	637	1.8%
<b>Total</b>	<b>35,731</b>	<b>100.0%</b>

Most Korean food and beverage manufacturers are small-scaled companies. As of the end of 2002, there were 7,550 food, livestock, dairy and beverage manufacturing companies with a labor force of five or more across Korea. Of these there are only 16 manufacturers with 500 employees or over as shown on the following table. Only 4 percent (304 manufacturers) have 100 or more employees.

Table 5. Employment Size of Food and Beverage Manufacturers: 2002

<b>No. of Employees</b>	<b>No. of Manufacturers</b>	<b>Percent</b>
5-9	3,718	49.2%
10-19	1,810	24.0%
20-49	1,291	17.1%
50-99	427	5.7%
100-199	198	2.6%
200-399	54	0.7%
300-499	36	0.5%
500 and Over	16	0.2%
<b>Total</b>	<b>7,550</b>	<b>100.0%</b>

Korea imports a wide variety of agricultural products for processing such as corn, soybeans, wheat, essential oils, frozen concentrated orange juice, turkey meat, duck meat, almonds, walnuts, powdered milk, whey powder, coffee, animal and vegetable fats and oils, beef tallow, seafood, processed fruits and vegetables, coffee, potato products, vegetable oils and cocoa products. In 2002, Korean self-sufficiency of rice is estimated at 107 percent, wheat at 0.2 percent, barley at 60.4 percent, soybeans at 7.3 percent and corn at 0.7 percent. In 2002 Korea imported 3.9 million metric tons (MT) of wheat valued at \$543 million, 9.1 million MT of corn valued at \$988 million and 1.5 million MT of soybeans valued at \$329 million. U.S. suppliers have a strong opportunity to export raw materials or ingredients for use in food processing in Korea.

Local eating habits have changed dramatically in recent years. A diet that had long been based on rice became progressively more centered on wheat and protein. At the same time, consumers sought more diversity and became more quality oriented. Consumption of fish, fruits, vegetables, marine plants and edible oil increased. Consumer preferences also shifted toward foods that were convenient to cook rather than those that require lengthy preparation. At the same time, demand for greater quality in terms of flavor and nutrition increased, a sharp departure from a diet that previously emphasized calorific content. Consumers became more health and safety conscious in their food buying habit as ingredients, packaging, shelf life and toxicity became important determinants of purchasing behavior.

Spending habits also became diversified as individual preferences and a wider variety of foods became available to meet consumer demand. These shifts toward quality, variety, convenience, safety and health resulted not only increased consumption of processed food, but also stimulated the growth of the domestic food processing industry.

### **Food Ingredient Processing**

There are a total of 8 wheat flour millers with 11 plants in Korea. One hundred percent of wheat for flour milling is imported mostly from the U.S., Australia, Canada, China, and India. The flour market continued to expand with increasing per capita income and change of diet from rice to wheat based food over the past decades. However, the wheat flour market grew by about 2-3 percent annually until 1990's, but is now stagnant. Per capita consumption of wheat in Korea was 37 Kg. in 2002.

No sugar is produced in Korea, so all raw sugar is imported. There are currently three sugar-refining companies in Korea with a total annual production of about 1.3 million metric tons. Sugar is widely used in food sectors, including confectionery, jam and jelly, powdered milk, bakery, cake, beverages and fruit based alcohol. Korea also exports about 35 percent of its refined sugar production. The industry is expected to grow at about 2-3 percent annually for the foreseeable future.

There are 4 companies in Korea which produce starch and starch syrup with corn as a raw material. All the corn used in this sector is imported. The total amount of corn used in starch and starch syrup production amounted to about 2 million metric tons in 2002. Although this sector has not grown much compared to that of other sectors, there is much room for U.S. sales to grow in the future. China has become the major corn supplier to Korea but this trend may be changing as Chinese corn export policies are revised.

### **Confectionary and Bakery**

The Korean confectionery market increased by 8.8 percent to \$1.7 billion in 2002 from \$1.59 billion the previous year. This is big growth relative to other food processing sectors. By category, the largest increasing was chewing gum, which jumped 33.4 percent, followed by

chocolate (13.7 percent), pie (11.4 percent), biscuits (9.7 percent), and candy (7.6 percent). Among the individual products, snacks were the biggest category with \$483 million, followed by cookies with \$411 million, and chewing gum with \$287 million. There were about 13,000 bakery shops across Korea in 2002. However, the 5 top franchised and mass production bakery companies, with about 2,400 shops, took a 31 percent share of the \$2.5 billion market in 2002.

### **Non-alcoholic Beverages Processing**

The non-alcoholic beverage segment grew by about 2 percent in 2002. By segment, the carbonated beverage market increased to about \$983 million, up from \$967 million in 2001, the juice market increased to \$783 million, up from \$767 million, and other beverage market, including soy milk, water and sports water, increased to \$967 million, up from \$933 million. The non-alcoholic beverage market is diversified, the product life cycle is shorter, the sector requires diversified and complex marketing activities, and many new to market products are developed every year.

### **Dairy Processing**

Korean society is rapidly adopting many aspects of Western societies, such as dual-income families, fewer children, fewer family members, less time to spend on cooking, and dining out with greater frequency. Increasing disposable incomes mean that Koreans can also indulge their growing health consciousness and concerns about nutrition. The major dairy companies are naturally adapting to meet the changing demands of their customers. Dairy products are not just a foodstuff, but also offer health benefits.

Probiotic drinking yogurts, for example, appeal to a broad range of customers thanks to their high nutritional values and convenience. Aggressive marketing efforts help to impress upon the public the benefits offered by the product. Similar health benefits to those offered by probiotic yogurts are expected to be extended to related dairy products like milk and cheese. Consumers are willing to pay premium prices for health foods, so the dairy companies will make great efforts to launch premium brands in the future with a focus on health benefits.

### **Meat Processing**

Total processed meat production in Korea was 157,230 metric tons, broken down to 60,200 tons of ham, about 40,400 tons of sausage, about 2,000 tons of bacon, 26,700 tons of canned meat, and 28,000 tons of mixed sausages in 2002. Pork accounts for nearly the entire sector. Meat processing has continued to grow since 1999, that is, up about 7 percent in 1999, up 14 percent in 2000, up 10 percent in 2001 and up another 10 percent in 2002.

### **Seafood Processing**

Korea processed about 1.4 million tons of fish and seafood in 2002. Imported seafood products are utilized for both domestic consumption and re-export. Seafood is imported into Korea from many countries. Major suppliers include China, Russia, the United States, Japan and Vietnam. In 2002, these five countries accounted for over 70 percent of total Korean seafood imports on a value basis. In 2002, China became the largest seafood supplier to Korea by exporting \$711 million, followed by Russia at \$214 million, the U.S. at \$165 million, Japan at \$142 million, and Vietnam at \$122 million. The major species imported to Korea in 2002 were yellow Corvina(\$138 million), Alaska pollack(\$90 million), hair tail(\$81 million), Alaska pollack roe(\$80 million), shrimp(\$51 million), Alaska pollack surimi(\$49 million), and poulp squid(\$40 million). All of the noted product was frozen.

Table 6: Imports of Major Fishery Products: U.S. and the World: 2002 (US\$1,000)

<b>Fish Species</b>	<b>From U.S.</b>	<b>From World</b>
Pollack surimi, frozen	48,439	48,772
Angler, frozen	37,486	69,990
Roes of Pollack, frozen	20,108	80,174
Other surimi, frozen	8,730	64,818
Hagfish, frozen	5,529	7,098
Other flat fish, frozen	4,832	18,632
Alaska Pollack, frozen	4,468	89,492
Cod, frozen	3,469	14,602
Angler, fresh	2,925	3,865
Atka mackerel, frozen	2,921	13,117
Other roes, frozen	2,556	7,227
Ray, frozen	1,871	12,052
Prepared sea cucumber	1,411	4,892
Rock fish, frozen	1,323	9,646
Sable fish, frozen	903	919
Plaice, frozen	881	1,865
Sardines, frozen	811	5,928
Cod, fresh	652	3,425
Rock lobster, frozen	589	3,796
Shrimps and prawns other than peeled, frozen	589	51,482
Pacific salmon except Sockeye	565	2,876

Source: Statistical Yearbook of Foreign Trade 2002

### SECTION III. COMPETITION

The United States is the largest supplier of agricultural products to Korea with a 27.9 percent market share in 2002. However, the U.S. competes with many other countries for many products, such as, corn with China and Brazil, wheat with Australia, soybeans with Brazil, red meat with Australia, dairy products with the EU, Australia and New Zealand, and fish with China, Russia and Japan.

A brief review of imports by major product category follows. The market shares stated in this section are based on 2002 Korean imports.

Table 7. Major Imports by Product Category by Origin: 2002

<b>Product Category</b>	<b>Import Market</b>	<b>Major Supply Sources in 2002</b>	<b>Strengths of Key Supply</b>	<b>Advantages and</b>
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	Size in 2002 (\$Million)		Countries	Disadvantages of Local Suppliers
Beef (HS 0201 & 0202)	848	U.S. (70%) Australia (22%) New Zealand (5%)	U.S. strong in supplying all types of cuts due to price and quality competitiveness.	Consumers state they prefer domestic. Local supplies are short.
Pork (HS 0203)	206	EU (55%) Canada (15%) U.S. (7%) Australia(2%)	EU prices are reasonable.	Koreans are big consumers of pork and have a large pork production, but most of the feed ingredients are imported.
Poultry meat (HS 0207)	102	U.S. (55%) Thailand(41%) China (2%)	U.S. prices are competitive in case of chicken legs. Thai prices are competitive.	Avian flu broke in Korea. Almost all feed ingredients are imported.
Fish and seafood products (HS 03)	1,676	China (41%) Russia (13%) U.S. (10%) Japan (8%) Thailand (4%)	Chinese and Russian prices are competitive and are closer to Korea. U.S. fish is high quality.	Shortages of local supply.
Dairy products (HS 04)	147	EU (28%) Australia (26%) New Zealand (23%) U.S. (16%)	The prices of EU, Australia and New Zealand are competitive.	Local production cost is high and most feed ingredients are imported.
Prepared fruits and vegetables (HS 2001-8)	215	U.S. (42%) China (28%) Thailand (7%) EU (5%)	U.S. quality is high and prices are competitive. Chinese prices are low.	Local production cost is high.
Sugar Confectionary products (HS 1704)	47	China (25%) EU (21%) Japan (12%) U.S. (11%) Indonesia (8%)	Chinese prices are competitive. EU quality is high.	All raw sugar is imported in Korea.
Wines (HS 2204)	29	EU (75%) U.S. (15%) Australia (5%)	Korean consumers accept French wines as high quality. U.S. wines are becoming	Local production is very little, if any. More Koreans are drinking wines.

			popular.	
Tree nuts (HS 0801 & 0802)	28	U.S. (85%) Australia (2%)	U.S. is a dominant supplier of almonds.	No almond is produced in Korea.
Bakery products (HS 1905)	58	EU (29%) U.S. (28%) China (25%)	U.S. and EU biscuits, cookies and crackers are high quality.	Almost ingredients are imported in Korea.
Citrus products (HS 0805)	95	U.S. (96%) Australia (2%)	Tariff for oranges declined in 2004 from 54.9% to 50%. U.S. is the predominant supplier.	Local production of oranges is almost non- existent.
Fruit juices (HS 2009)	102	Brazil (42%) U.S. (37%) EU (7%) China (4%)	Brazil is a stable and cheap supplier of FCOJ and the U.S. FCOJ is high quality.	No FCOJ is produced.
Grains (HS 10)	1,605	China (45%) U.S. (21%) Australia (12%) Brazil (9%)	Chinese corn prices are cheaper than those of competitors and China is closer to Korea.	Except for rice, almost all grains are imported in Korea.
Oilseeds (HS 1201-7)	391	U.S. (71%) China (13%) Brazil (10%)	The U.S. is a stable and high quality supplier.	Shortage of supply in Korea.
Animal feeds (HS 2309)	102	U.S. (27%) EU (26%) Australia (11%) China (8%)	U.S. and EU pet foods are of high quality.	Almost all feed ingredients are imported.
Sauces & condiments (HS 2103)	74	China (44%) U.S. (17%) Japan (15) Australia (2%) New Zealand (2%)	Chinese sauces are competitive in prices.	Koreans have their own traditional sauces and condiments.
Coffee, tea and spices (HS 09)	104	China (17%) Vietnam ((15%) Indonesia (11%) Columbia (9%) Honduras (9%) Brazil (7%) U.S. (6%)	Chinese prices are competitive in red pepper and Vietnam, Indonesia, Columbia and Honduras are competitive in coffee beans.	Korean prices of red pepper are high. Korea does not produce coffee beans.

Animal and vegetable oils and fats (HS 1501-18)	278	Malaysia (30%) U.S. (21%) Argentina (17%) EU (7%) Indonesia (7%) Canada (5%)	Malaysia is strong in palm oil, and U.S. is strong in beef tallow, fish oils, soybean oil and edible mixed oils.	Korean does not produce palm oil, and does not have many ingredients.
Prepared meat and seafood (HS 16)	186	Vietnam (18%) China (16%) Thailand (14%) EU (14%) U.S. (11%) New Zealand (4%)	Vietnam is strong in prepared jerk filefish, China is strong in prepared fish and Thailand is strong in prepared shrimps and chickens.	Korea does not have enough raw materials and Korean prices are high compared to its competitors'.
Chocolate products (HS 1806)	93	U.S. (34%) EU (28%) Australia (11%) Turkey (6%) China (4%) New Zealand (3%)	U.S. is strong in medium quality chocolate products and EU is strong in high quality chocolate product.	Korea does not produce cocoa and its processed chocolate products are expensive and not high quality.
Ice cream (HS 2105)	10	U.S. (60%) EU (36%) New Zealand (4%)	U.S. is strong in high quality ice cream.	Korea does not produce high quality ice cream.

#### SECTION IV. BEST PROSPECTS

Korea imports a wide variety of agricultural, food, fishery products and ingredients for domestic consumption, and also re-exports some final product to other countries after importing raw and/or semi-finished ingredients and manufacturing them in Korea. The following are products which have presence in Korea and have good increased sales potential to the processing sector

Table 8. Category A: Products Present in the Market Which Have Good Increased Sales Potential

Product Category	2002 Market Size (1,000 mt)	2002 Imports Volume: (1,000 mt) Value: (\$ Million)	5 Yr. Avg. Annual Import Growth Total: U.S.:	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.

Red meat	1,359	109 \$1,054	34.80% 44.80%	Beef: 40% Chilled Pork: 22.5% Frozen Pork: 25%	Consumers state they prefer domestic.	U.S. strong in supplying all types of cuts due to price and quality competitiveness.
Poultry Meat	386	439 \$101	44.30% 51.30%	*18-20%	Not manually trimmed.	Price-competitive in case of chicken legs
Citrus	880	109 \$95	36.50% 35.70%	Orange: 50%  Grapefruit & lemon: 30%	High tariff rates and quality variable.	Tariff for oranges will decline in 2004 from 54.9% to 50%. U.S. is the predominant supplier.
Offals & Guts	NA	69 \$137	44.30% 47%	Offals: 18%  Guts: 27%	Not easy to meet local importers' specifications	Product not consumed domestically in the U.S., but demand in Korea for food use is quite high and steady.
Chocolate	\$293 mil	31 \$93	19.50% 22.40%	8%	Low image for design and quality for high quality product	Competitive in prices and design for medium quality products
Frozen and Processed Vegetables	NA	151 \$121	14.30% 30.80%	*8-30%	High prices compared to competitors	U.S. product is considered high quality
Wine	NA	12 \$29	52% 60.80%	15%	Fewer varieties than French; higher prices than Chilean and Australian wines	Consumption is growing rapidly
Fish and Seafood	3,212	1,110 \$1,820	40% 21.90%	*10-20%	US prices are higher than those of competitors	Good quality
Almonds	5	5 \$17	8.30% 7.70%	8%	Demand is limited	High profile and high quality
Sauces	NA	54 \$74	21.90% 13.40%	8%	US bottles are a little too big for consumers.	High quality

\*The tariff rates are different depending upon the product, and for some fish there are adjustment tariffs, which are a lot higher than the above. For accurate tariff rates, please contact ATO Seoul.

#### SECTION V. KEY 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 110-140, Korea

U.S. Mailing Address: US Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550

Telephone: 82-2 397-4188 Fax: 82-2 720-7921

E-mail: [atoseoul@usda.gov](mailto:atoseoul@usda.gov) Website: [www.atoseoul.com](http://www.atoseoul.com)

## Agricultural Affairs Office

Korean Address: U.S. Embassy, 82, Sejong-ro, Chongro-ku, Seoul 110-140, Korea

U.S. Mailing Address: US Embassy Seoul, Unit 15550-AgAff, APO, AP 96205-5550

Telephone: 82-2 397-4297 Fax: 82-2 738-7147

E-mail: [agseoul@usda.gov](mailto:agseoul@usda.gov)

**For more information on how you can register for USDA/FAS's 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, such as the ATO in Seoul, Korea, 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, DC

Phone: 202-690-4172 Fax: 202-205-2963

E-mail: [joyce.estep@fas.usda.gov](mailto:joyce.estep@fas.usda.gov) Website: [www.fas.usda.gov/agx/agx.html](http://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

Room 303, Leema Building, 146-1, Susong-dong, Chongro-ku, Seoul 110-140, Korea

U.S. Mailing Address: USDA-APHIS, US Embassy Seoul, Unit 15550, APO, AP 96205-5550

Telephone: 82-2 725-5495 Fax: 82-2 725-5496

E-mail: [aphis@kornet.net](mailto:aphis@kornet.net) Website: [www.aphis.usda.gov](http://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, IL 60610

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

E-mail: [eriggs@miatoco.org](mailto:eriggs@miatoco.org)

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## Western United States Agricultural Trade Association

2500 Main Street, Suite 110, Vancouver, WA 98660-2697

Phone: 360-693-3373 Fax: 360-693-3464

E-mail: [bruce@wusata.org](mailto:bruce@wusata.org)

Website: [www.wusata.org](http://www.wusata.org)

**Eastern United States Agricultural & Food Export Council**

150 S. Independence Mall West, 1036 Public Ledger Building, Philadelphia, PA 19106

Phone: 215-829-9111 Fax: 215-829-9777

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2 Canal Street Suite 2515, New Orleans, LA 70130, USA

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Website: [www.susta.org](http://www.susta.org)

**For information on the commercial and industrial products in Korea, please contact:**

Foreign Commercial Service

Korean Address: U.S. Embassy, 82, Sejong-ro, Chongro-ku, Seoul, Korea

U.S. Mailing Address: US Embassy Seoul, Unit 15550-FCS, APO, AP 96205-5550

Telephone: 82-2 397-4535 Fax: 82-2 739-1628

E-mail: [Seoul.office.box@mail.doc.gov](mailto:Seoul.office.box@mail.doc.gov) Website: [www.buyusa.gov/korea](http://www.buyusa.gov/korea)

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