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Report Highlights:

Korea has a strong food processing industry that manufactures a wide variety of food and beverage products. It also relies heavily on imports to fulfill its food and agricultural needs. As a result, the Korean food processing industry offers an outstanding opportunity for imported agricultural products for processing use, including basic commodities such as wheat and soybean, intermediate ingredients such as vegetable oils and fruit juice concentrates, and food additives such as flavors and coloring agents. The food processing industry generated 72.8 trillion Korean Won (\$66.1 billion) in sales in 2018, up four percent from 2017.

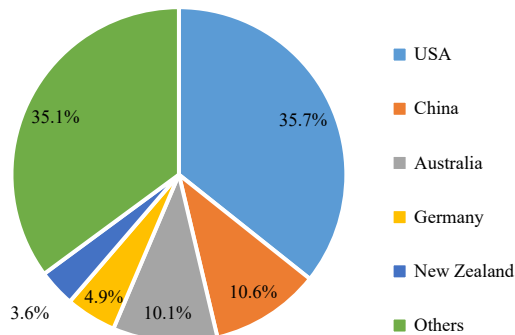
Market Fact Sheet: Korea- Republic of

Executive Summary

South Korea has the 12th largest economy in the world with a GDP of \$1.6 trillion and a per capita GNI of \$32,047 in 2019. It is about the size of Indiana and has a population of 52 million. Over 90 percent of Koreans live in urban areas. Domestic production meets only 45 percent of food demand. The United States exported \$8.9 billion in agricultural products to Korea in 2019, making it our fifth largest export market. The U.S. supplies a quarter of Korea's agricultural imports.

Imports of Consumer-Oriented Products

Korea imported \$14.7 billion in consumer-oriented products in 2019, accounting for 41 percent of agricultural imports. There are still many opportunities for U.S. export growth in this segment, including for beef, pork, fruits, tree nuts, dairy products, confectioneries, beverages, and further prepared foods.



Food Processing Industry

Korea had over 29,000 food-processing companies as of 2018, generating \$63.3 billion in sales. Korean food processing companies rely heavily on imported commodities and ingredients. Imports of basic and intermediate agricultural products totaled \$13.2 billion in 2019. Twenty four percent (\$3.2 billion) of these imports came from the United States.

Food Retail Industry

Korean retail food sales totaled \$95.3 billion in 2018, accounting for 26 percent of total retail sales. Grocery supermarkets are the leading food retail channel, followed by hypermarket discount stores, convenience stores, on-line retailers, and department stores. On-line retailers and convenience store food sales are expected to grow faster than other channels over the next 5-10 years. The fast expansion of on-line retailers is forcing conventional retail channels to restructure space and devise new strategies to attract consumer traffic.

Quick Facts CY 2019

Imports of Ag. Products from the World

- Basic Products	US\$5.2 billion
- Intermediate Products	US\$8.0 billion
- Consumer-Oriented Products	US\$14.7 billion
- Forest Products	US\$2.8 billion
- Seafood Products	US\$5.4 billion
- Total	US\$36.1 billion

Top 10 Consumer-Oriented Ag. Imports from the World

1) Beef	\$2.9 B	6) Alcoholic Bev	\$788 M
2) Pork	\$1.6 B	7) Coffee	\$662 M
3) Frozen Fish	\$1.3 B	8) Tree Nuts	\$354 M
4) Fresh Fruit	\$1.2 B	9) Bakeries	\$340 M
5) Dairy	\$958 M	10) Confectionery	\$328 M

Top 10 Growth Consumer-Oriented Ag. Imports

Animal offal, mineral water, food preparations not-elsewhere-specified, butter, vinegar, grapes, poultry meat, beef, roasted prepared foods, melons & papayas

Food Industry by Channels

- Retail Food Industry	US\$95.3 billion
- HRI Foodservice Industry	US\$120.2 billion
- Food Processing Industry	US\$63.3 billion
- Food & Agricultural Exports	US\$7.0 billion

Top Korean Retailers

EMART, LOTTE Mart, HOME PLUS, COSTCO, GS Retail (GS Super, GS25), BGF Retail (CU), Korea Seven, E Land Retail, Lotte Department Store, Shinsegae Department Store, Hyundai Department Store, Hanwha Galleria, CJ O Shopping, GS Home Shopping, SK Planet, Ebay Korea

GDP/Population

Population: 52.0 million
GDP: US\$ 1.6 trillion
GDP per capita: US\$ 32,047

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<ul style="list-style-type: none"> - Well established market with modern distribution channels - Consumer income level continues to increase 	<ul style="list-style-type: none"> - High logistics cost to ship American products - Consumers have limited understanding of American products
Opportunities	Challenges
<ul style="list-style-type: none"> - Strong consumer demand for value, quality, and diversity - KORUS FTA reduces tariff barriers for American products. 	<ul style="list-style-type: none"> - Elevated competition from export-oriented competitors - Discrepancies in food safety and labeling regulations

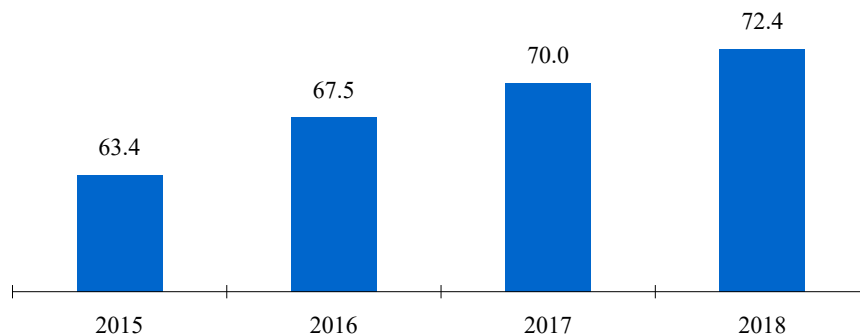
Data and Information Sources: Korea Ministry of Food & Drug Safety, Korea National Statistics Office, Korea Int'l Trade Association, Global Trade Atlas, CIA Factbook. To the greatest extent possible, the latest available statistics are used in this publication.

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SECTION I. MARKET SUMMARY

Korea relies heavily on imports to fulfill its food and agricultural needs. The Korean food processing sector is the major user of imported agricultural products for processing use, including soybeans, wheat, vegetable oils, fruit juice concentrate, and food additives such as flavors, coloring agents, and preservatives. The Korean food processing industry generated 72.8 trillion Korean Won (KRW), approximately \$66.14 billion, in sales in 2018.¹ The industry has been growing at a compound annual growth rate (CAGR) of 4.7 percent from 2015-18.

Figure 1. Annual Sales of Korean Food Processing Industry (2015-18, Trillion KRW)



Source: Korea Ministry of Food & Drug Safety (MFDS)

Despite challenges from competitors, the United States is expected to remain the leading supplier of food and agricultural products to Korea for years to come, not only for commodities and intermediate products, but also for consumer-oriented products. The United States accounted for 24.2 percent of total Korean imports of food and agricultural products in 2019.

Table 1. Advantages and Challenges of U.S. Food Products

Advantages	Challenges
<ul style="list-style-type: none"> ▪ Continued tariff reductions under KORUS FTA will make U.S. products more competitive with other foreign suppliers. 	<ul style="list-style-type: none"> ▪ Imports of many products still face restrictive trade barriers. Certain food additives that are approved for food use in the U.S. may not be approved in Korea.
<ul style="list-style-type: none"> ▪ Health consciousness and increasing affluence of Koreans are shifting consumer focus from price to quality. 	<ul style="list-style-type: none"> ▪ Food safety concerns, including biotechnology and BSE, are still lingering. Outbreaks of animal diseases such as Avian influenza restrict trade.
<ul style="list-style-type: none"> ▪ U.S. food is perceived as equal or superior quality relative to competitors. 	<ul style="list-style-type: none"> ▪ Imported products are subject to complicated labeling and food safety standards in Korea, which change frequently with limited lead time.
<ul style="list-style-type: none"> ▪ Local supply of agricultural products is limited. 	<ul style="list-style-type: none"> ▪ Complicated inspection/customs clearance procedures.

¹ The report uses an average exchange rate of 1 USD = KRW 1,100.7 for the year 2018.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy and Import Procedure

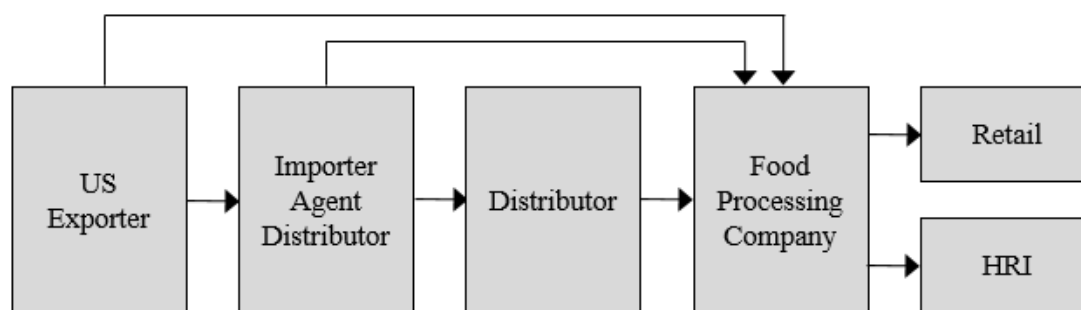
American suppliers are recommended to refer to resources listed below for additional information and guidance needed to establish an efficient entry strategy for Korea:

- [Korea FAIRS Report](#) provides Korean government regulations and standards on imported food and agricultural products.
- [Korea Exporter Guide](#) provides market entry guidance for American suppliers.
- [ATO Seoul Website](#) provides various information about the Korean market, including product briefs, media food news clippings, KORUS FTA, and links to other resources and organizations.
- [Korea Country Commercial Guide](#) published by the U.S. Commercial Service is another good source of information about exporting to Korea.

Distribution Channels and Market Structure

Figure 2 gives an overview of the typical distribution channel for imported food ingredients from U.S. exporters to Korean food processors. Large food processing companies prefer to source directly from overseas suppliers as they can reduce costs. However, they tend to purchase from local importers, agents or distributors when the quantities they require are small.

Figure 2. Imported Food Ingredients Distribution Channel



Source: ATO Seoul Analysis

Share of Major Segments in the Food Processing Industry

Table 2. Breakdown of Food Processing Industry by Product Category (2015-18)

	Product Category	Annual Sales ² (Billion USD) ³				CAGR (2015-18)
		2015	2016	2017	2018	
1	Livestock products	11.1	11.6	12.1	12.5	4.1%
2	Confectionaries, breads, rice cakes	6.6	6.2	6.5	5.8	-4.1%
3	Alcoholic Beverages	4.7	4.6	5.1	5.0	2.4%
4	Seasonings, Sauces, Spices	3.6	3.9	4.1	4.9	10.6%
5	Beverages	4.1	4.4	4.2	4.8	4.9%
6	Coffee & Tea	2.8	3.1	3.2	3.5	7.1%
7	Noodles	2.6	2.5	2.9	3.0	4.3%

²Annual sales = shipment amount (domestic sales) + export amount

³ Values have been converted to U.S. dollars using average exchange rates for each year (2015-17)

8	Health Functional Foods	1.6	1.8	2.0	2.3	12.5%
9	Food Additives	1.4	1.4	1.7	2.1	12.8%
10	Kimchi & Pickles	1.5	1.6	1.8	1.9	7.6%
11	Fat & Oil	1.6	1.5	1.6	1.9	6.8%
12	Seafood products	1.4	1.5	1.6	1.7	7.9%
13	Sugars, Syrups, Jams	1.7	1.7	1.7	1.7	-0.2%
14	Chocolates and Cacao products	1.1	1.0	0.9	0.9	-6.1%
15	Tofu & Muk	0.6	0.7	0.6	0.6	1.1%
16	Special Dietary Foods	0.3	0.3	0.3	0.5	21.5%
17	Other Processed Foods	9.4	10.5	11.4	13.2	12.0%

Source: Korea Ministry of Food & Drug Safety (MFDS)

Company Profiles & Products

Annual sales of Korea's top 20 food processing companies totaled more than \$18.2 billion in 2018. The list of top 10 companies can be found below (Table 3). More information can be found in Section II-C of [2017 Korea Food Processing Ingredients Report](#) or Table 1-2-1-11 of [MFDS Statistics](#).

Table 3. 2018 Top 10 Food Processing Companies (Billion USD)

	Company	Main Products	Annual Sales
1	Lotte Chilsung Beverage Co., Ltd.	Beverages	2.40
2	CJ Cheil Jedang Corporation	Flour, noodles, ready-to-serve food, snacks	2.23
3	Nongshim Co., Ltd.	Instant noodles, snacks, beverages	1.56
4	Hite Jinro Co., Ltd	Alcoholic beverage	1.34
5	Oriental Brewery Co., Ltd.	Beer	1.32
6	Dong Suh Food Co., Ltd.	Coffee(instant/brewed/canned), creamer, cereal	0.98
7	Ottogi Corporation	Sauces, Oils, Instant noodles, Ready-to-serve food	0.97
8	Daesang Corporation	Sauces, instant noodles, Ready-to-serve foods	0.81
9	Lotte Confectionery Co., Ltd.	Snacks, confectioneries	0.78
10	The Coca-Cola Company	Beverages	0.72

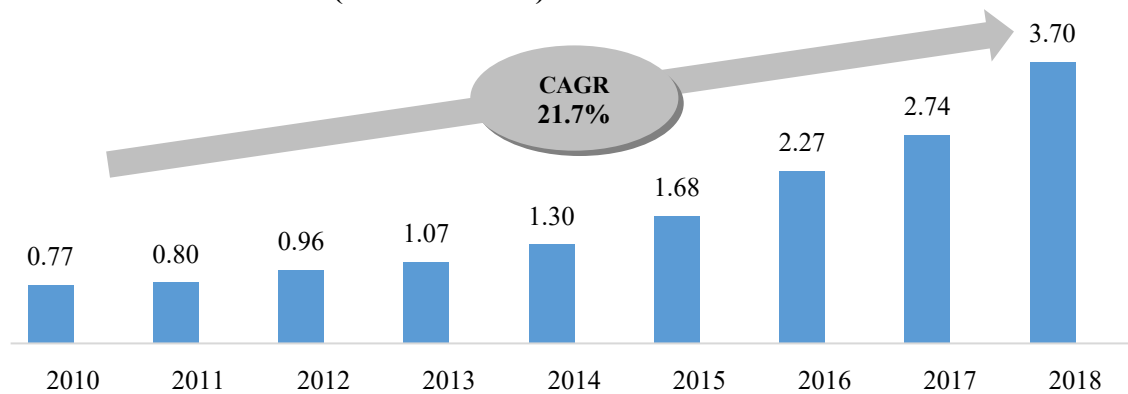
Source: Korea Ministry of Food & Drug Safety (MFDS)

Sector Trends

The Korean market reflects global food trends. The rise in single-person households and the increase in women's participation in the workforce are influencing food purchasing patterns. Consumers want convenient and value-for-money food products that suit their lifestyle. And at the same time, consumers continue to seek healthier and higher quality food options.

The home meal replacement (HMR) market has been growing since 2010. The HMR market is estimated to have reached 3.7 trillion KRW in 2018, more than doubled the size of the market in 2015. Until recently HMRs were viewed as simple packaged products consumed by single-person households with busy lifestyles. Single-person households accounted for 27.6 percent of total households in 2016 and are expected to account for 30 percent of households in 2020. Small portion HMR products have seen rapid growth due to this trend. Over the past few years companies have also introduced HMR products that provide complete meals for larger households.

Figure 3 Annual Sales of HMR (Trillion KRW)⁴



Source: Korea Agro-Fisheries & Food Trade Corporation

Air fryers have become a necessity for Korean households in the last few years. This trend led food processors to manufacture frozen HMRs. Many of these products are air-fryer-only products or have instructions on how to cook with an air fryer. Consumers view air fryers as a healthier and more convenient way to prepare food. They can also be used to cook food that is crispy outside and moist inside, resulting in a better texture than HMRs cooked using a microwave.

Although Korean consumers prefer price competitive products, health considerations are equally if not more important. While products that are considered healthy are more expensive than other products, demand for “healthy” food is increasing every year. The trend is evident in the beverage market. Sales of fruit juice with high sugar content have been decreasing while healthier products such as mineral water, sparkling water and tea products are increasing in popularity.

The drinking water market reached \$687 million in 2018, up 29.3 percent from 2014. The drinking water market is estimated to have grown to \$792 million in 2019. The sparkling water market has been growing rapidly as well. Manufacturers entered the market with new flavors such as lemon, lime and grapefruit, and retailers launched private brand (PB) products that are relatively lower priced. This trend can be also seen in the packaged soup market. While the product varieties were limited to common home-style soup menus in the past, manufacturers are now focusing more on healthy soups that were traditionally consumed on special occasions.

In 2019, a trade and political dispute between Korea and Japan led to a nationwide “No Japan” movement. Many Korean consumers stopped buying Japanese products as well as Korean products with Japanese ingredients. As a result, Maeil Dairies and Namyang Dairy Products had to stop importing flavorings from Japan and Seoul Milk cancelled their contract with the Japanese dairy company QBB.

Another trend that was notable in 2019 was ‘new-tro,’ a new term which comes from combining new and retro. The New-tro trend has attracted consumers of all generation. New-tro products evoke nostalgia for older generations and young consumers see them as trendy and fun. Food processors are re-launching products from the 80s and 90s or launching special edition products with retro packaging. Menu items that were popular in the past are also reappearing on the food scene.

⁴ 2018 annual sales is an estimated data

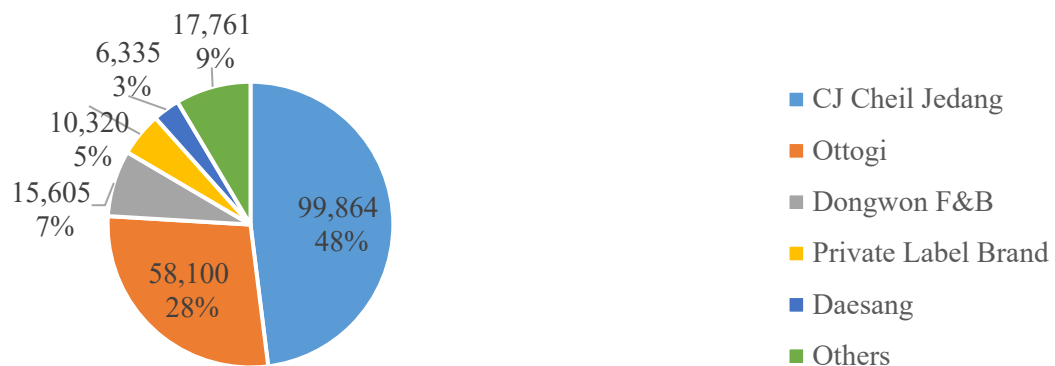
SECTION III. COMPETITION

The HMR market is growing rapidly. The Korean HMR market is expected to reach 5 trillion KRW in 2022, about double its size in 2016. Food processors are investing heavily in HMR products. Competition in the sector is fierce and intensifying as new players enter and existing players expand.

Air fryers have become a popular cooking method recently in Korea. Major manufacturers are investing in research and development in frozen HMRS suitable for air frying and are launching products accordingly. The frying snack market amounted to 300 billion KRW in 2019, up 37 percent from 2017. The largest player in this market is CJ Cheil Jedang with its sub-brand “Gourmet” dedicated to frozen HMR frying snacks. Donkatsu, chicken and hotdogs are the best sellers. Pulmuone’s thin skinned dumpling product was a hit in 2019. The success of this product caused Pulmuone to become the second largest seller of frozen HMR products, up from its previous position in fifth place.

CJ Cheil Jedang is the number one food processor in the HMR market. Its instant rice brand “Hat Ban” reached annual sales of 300 billion KRW (\$264 million) in 2017, accounting for more than 70 percent of the instant rice market. In November 2018, CJ Cheil Jedang acquired the U.S. frozen food company Schwan’s Co., one of the largest global food companies in the pizza, pie, and Asian appetizer market, for \$1.84 billion. CJ plans to use the acquisition to expand its market share in the North American processed food market. CJ is also investing aggressively in the Korean market, including 200 billion KRW (\$176 million) for HMR research and development and 540 billion KRW (\$476 million) to build a manufacturing plant in Jincheon by 2020. Other food processing companies such as Ottogi and Dongwon F&B are investing in their own HMR brands. Ottogi plans to invest 61 billion KRW (\$54 million) to expand its processing line, and Dongwon F&B plans to build a new manufacturing plant.

Figure 4 Market Share of Food Processors in the HMR Market (2018 1Q sales, Million KRW)



Source: Company sales data

The retail sector has also entered the fray. In November 2017, Hyundai Department Store launched its premium HMR brand “One Table” targeting higher income consumers. Compared to CJ, it is still in the initial stages, but is expanding rapidly by leveraging its distribution network across the country. Hypermarkets such as Emart, Lotte Mart and Home Plus, have their own private labels as well.

Emart is the most aggressive player in the market. It was one of the first to launch an HMR private label and in 2015 it launched “Peacock Secret Lab” to promote research and development in its brand. Sales of Emart’s HMR “Peacock” brand reached 228 billion KRW (\$201 million) in 2017, a seven-fold increase since its launch in 2013. In September 2017 Emart launched its first Peacock Store in the upscale residential area of Gangnam. Shinsegae, Emart’s parent company, invested 51.6 billion KRW (\$45 million) to expand its manufacturing plant in 2018. The company plans to invest an additional 93.7 billion KRW (\$82 million) and 72.6 billion KRW (\$64 million) in 2019 and 2020 respectively to increase its market share in the HMR sector.

Convenience stores are launching lower priced HMR products. While their products were limited to ready-made lunch boxes or side dishes in the past, they are now launching ‘meal kits’ that allow customers to simply prepare a meal at home with included pre-prepared ingredients.

Korea has a strong and growing café industry. The café industry market was estimated at 11 trillion KRW (\$9.7 billion) in 2017. In the first half of 2018 6,290 new cafes opened, up 4.8 percent from the same period in 2017. Korean consumers go to cafes not only for coffee but also for food and desserts. Although Korean consumers generally prefer value-for-money products, they are willing to pay more for small products like desserts that makes them happy and satisfied. Sales of dessert items account for over 20 percent of total sales in Starbucks and 30 percent in Twosome Place.⁵

SPC Group, one of the leading food conglomerates and also the bakery industry leader, is the leading player in the café industry. Paris Croissant Co., under SPC Group, started its business in 1986 with a business model that combined bakery and café. It has 3,420 window bakery stores throughout Korea and 350 stores in foreign markets. SPC uses a wide diversity of ingredients, mostly quality products from the U.S., including wheat, dairy, meat, produce, and value-added processed products.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

1. Products present in the market which have good sales potential

U.S. products in general have a good image among Korean consumers and U.S. products have a high market share. Some of the products that are present in the market and still have good sales potential are beef, pork, dairy, soybeans, and snacks. U.S. beef, which went through some difficult years due to BSE, is now popular among consumers. In 2019, Korea imported \$1.75 billion of U.S. beef, up 12.8 percent from \$1.55 billion in 2018. The U.S. is now the top supplier of beef to Korea. For more detailed data with HS code, please refer to Section IV (Part 1) of [2018 Korea Food Processing Ingredients Report](#).

2. Products with low presence in market but which have good sales potential

The Korean food market is saturated, making it difficult to find products with low presence but that have good sales potential. A U.S. exporter may target some niche markets related to new emerging trends in Korea such as sustainable food movement, veganism, or animal welfare. However, trends come and go fast in Korea so one should do plenty of research before entering the market.

⁵ Twosome Place is one of the largest café franchise in Korea. It is owned by the CJ Group.

3. Products not present because they face significant barriers

Imports of some U.S. products are restricted due to regulatory and phytosanitary issues. For example, several types of fresh fruits and vegetables are still awaiting approval by Korean authorities. Also, outbreaks of animal diseases and outdated concerns related to bovine spongiform encephalopathy (BSE), can restrict imports of related livestock products. Finally, despite the KORUS free trade agreement, some products continue to face high tariff barriers in the Korean market. Please refer to Section IV (Part C) of [2017 Korea Retail Foods Report](#) for details.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office Seoul (ATO)

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Please refer to [Korea Exporter Guide](#) for contact information of USDA cooperators, state offices, and industry organizations that offer various export assistances. For more information, ATO Seoul website (www.atoseoul.com) provides up-to-date information about Korea's food and agricultural imports:

- [Korea's Agricultural Import Statistics](#): This spreadsheet, updated monthly, provides a summary of Korea's agricultural imports on four-digit HS product code level.
- [Korea's Agricultural Import Trends Presentation](#): This presentation, published quarterly, provides a summary of competition between the U.S. and competitors for key products.

Attachments:

No Attachments