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Report Highlights:

Korea has a strong food processing industry that manufactures a wide variety of food and beverage products. It relies heavily on imports for ingredients. 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 soybeans, intermediate ingredients such as vegetable oils and fruit juice concentrates, and food additives such as flavors and coloring agents. The food processing industry generated 76 trillion Korean Won ($65.2 billion) in sales in 2019, up four percent from 2018.

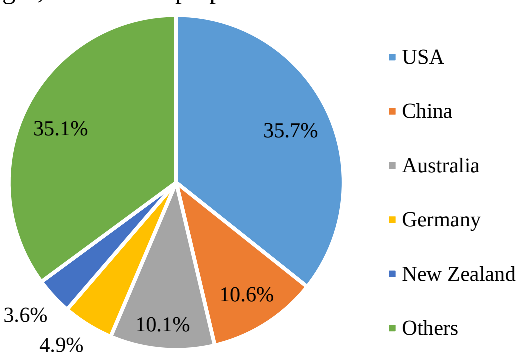
Market Fact Sheet: Korea- Republic of

Executive Summary

South Korea has the 10th largest economy in the world with a GDP of $1.6 trillion and a per capita GNI of $31,755 in 2020. 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 $8.8 billion in agricultural products to Korea in 2020, 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 $14.8 billion in consumer-oriented products in 2020, 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 30,000 food processing companies as of 2019, generating $56.1 billion in sales. Korean food processing companies rely heavily on imported commodities and ingredients. Imports of basic and intermediate agricultural products totaled $13.4 billion in 2020. Twenty three percent ($3.1 billion) of these imports came from the United States.

Food Retail Industry

Korean retail food sales totaled $93.6 billion in 2019, accounting for 26 percent of total retail sales. Grocery supermarkets are the leading food retail channel, followed by hypermarkets, 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.

Quick Facts CY 2020

Imports of Ag. Products from the World

- Basic Products	US$5.3 billion
- Intermediate Products	US$8.1 billion
- Consumer-Oriented Products	US$14.8 billion
- Forest Products	US$2.7 billion
- Seafood Products	US$5.3 billion
- Total	US$36.1 billion

Top 10 Consumer-Oriented Ag. Imports from the World

1)	Beef	$2.9 B	6)	Alcoholic Bev	$780 M
2)	Pork	$1.4 B	7)	Coffee	$738 M
3)	Frozen Fish	$1.2 B	8)	Bakeries	$348 M
4)	Fresh Fruit	$1.2 B	9)	Tree Nuts	$338 M
5)	Dairy	$1.1 B	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$93.6 billion
- HRI Foodservice Industry	US$121.3 billion
- Food Processing Industry	US$65.2 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: 51.3 million
GDP: US$ 1.6 trillion
GDP per capita: US$ 31,755

Strengths/Weaknesses/Opportunities/Challenges

Strengths	***Weaknesses***
- Well established market with modern distribution channels - Consumer income level continues to increase	- High logistics cost to ship American products - Consumers have limited understanding of American products
Opportunities	***Challenges***
- Strong consumer demand for value, quality, and diversity - KORUS FTA reduces tariff barriers for American products.	- 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.

Contact: U.S. Agricultural Trade Office (ATO) Seoul
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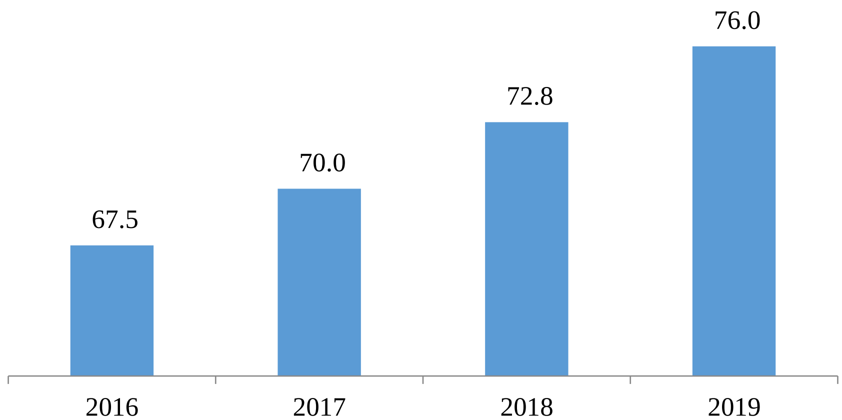
SECTION I. MARKET SUMMARY

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 76.0 trillion Korean Won (KRW), approximately $65.17 billion, in sales in 2019.[1] The industry has been growing at a compound annual growth rate (CAGR) of 4.0 percent from 2016-19.

Figure 1. Annual Sales of Korean Food Processing Industry (2016-19, 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 23.1 percent of total Korean imports of food and agricultural products in 2020.

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

Advantages	Challenges
▪ Continued tariff reductions under KORUS FTA will make U.S. products more competitive with other foreign suppliers.	▪ 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.
▪ Korean consumers are becoming more affluent and health conscious, causing more consumers to focus on quality over price.	▪ Consumers are still concerned about issues such as biotechnology and BSE. Outbreaks of animal diseases such as Avian influenza restrict trade.
▪ U.S. food is perceived as equal or superior quality relative to competitors.	▪ Imported products are subject to complicated labeling and food safety standards in Korea. Rules change frequently with limited lead time.
▪ Local supply of agricultural products is limited.	▪ Korea has complicated inspection/customs clearance procedures.

[1] The report uses an average exchange rate of 1 USD = KRW 1,166.11 for the year 2019.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy and Import Procedure

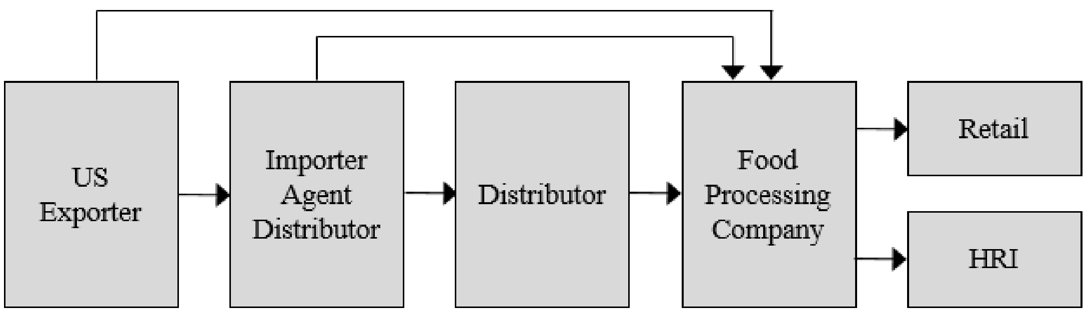
The following provide guidance on how to export to Korea:

- Korea FAIRS Report provides Korean government regulations and standards on imported food and agricultural products.
- Korea Exporter Guide provides market entry guidance for U.S. suppliers.
- ATO Seoul Website provides information about the Korean market, including product briefs, 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 (2016-19)

	Product Category	Annual Sales[2] (Billion USD)[3]				CAGR (2016-19)
		2016	2017	2018	2019	
1	Livestock products	11.6	12.1	12.5	16.7	13.8%
2	Confectionaries, breads, rice cakes	6.2	6.5	5.8	5.8	-1.9%
3	Alcoholic Beverages	4.6	5.1	5.0	4.9	2.5%
4	Seasonings, Sauces, Spices	3.9	4.1	4.9	4.8	7.5%
5	Beverages	4.4	4.2	4.8	4.5	1.4%
6	Coffee & Tea	3.1	3.2	3.5	3.4	3.5%
7	Noodles	2.5	2.9	3.0	2.9	5.5%
8	Health Functional Foods	1.8	2.0	2.3	2.5	12.0%
9	Food Additives	1.4	1.7	2.1	2.0	13.0%

[2]Annual sales = shipment amount (domestic sales) + export amount
[3] Values have been converted to U.S. dollars using average exchange rates for each year (2016-18)

10	Kimchi & Pickles	1.6	1.8	1.9	1.9	5.8%
11	Fat & Oil	1.5	1.6	1.9	1.9	8.8%
12	Seafood products	1.5	1.6	1.7	1.7	3.4%
13	Sugars, Syrups, Jams	1.7	1.7	1.7	1.6	-2.2%
14	Chocolates and Cacao products	1.0	0.9	0.9	0.9	-4.0%
15	Tofu & Acorn Jelly	0.7	0.6	0.6	0.6	-4.4%
16	Special Dietary Foods	0.3	0.3	0.5	0.5	22.3%
17	Other Processed Foods	10.5	11.4	13.2	8.5	-3.7%

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

Company Profiles & Products

Annual sales of Korea’s top 20 food processing companies totaled more than $18.3 billion in 2019. The list of top 10 companies can be found below. Some Korean food processing companies such as CJ Cheil Jedang have invested in food processing plants in the United States.

Table 3. 2019 Top 10 Food Processing Companies (Billion USD)

	Company	Main Products	Annual Sales
1	CJ Cheil Jedang Corporation	Flour, noodles, ready-to-serve food, snacks	2.41
2	Lotte Chilsung Beverage Co., Ltd.	Beverages	2.15
3	Hite Jinro Co., Ltd	Alcoholic beverage	1.70
4	Nongshim Co., Ltd.	Instant noodles, snacks, beverages	1.46
5	Oriental Brewery Co., Ltd.	Beer	1.21
6	Dong Suh Food Co., Ltd.	Coffee(instant/brewed/canned), creamer, cereal	0.92
7	Ottogi Corporation	Sauces, Oils, instant noodles, ready-to-serve food	0.92
8	Lotte Confectionery Co., Ltd.	Snacks, confectioneries	0.85
9	The Coca-Cola Company	Beverages	0.75
10	Daesang Corporation	Sauces, instant noodles, ready-to-serve foods	0.74

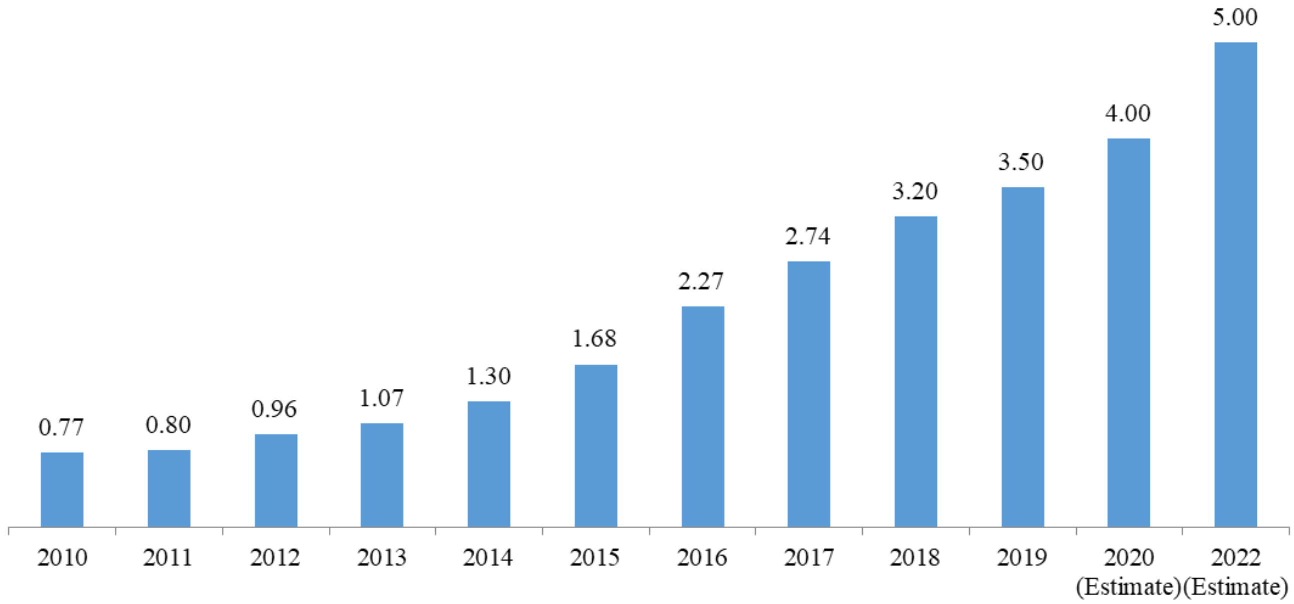
Source: Korea Ministry of Food & Drug Safety (MFDS)

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 good value food products that suit their lifestyle. 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 3.5 trillion KRW in 2019, more than doubled the size of the market in 2015, and is estimated to expand to up to 5 trillion KRW in 2022. Until recently HMRs were viewed as simple packaged products consumed by single-person households with busy lifestyles. Single-person households accounted for 30.2 percent of total households in 2019 and are expected to account for 33.2 percent of households in 2030. 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. Moreover, as eating at home became a major trend during COVID-19, demand for HMRs, meal kits, sauces and seasonings have increased.

Figure 3 Annual Sales of HMR (Trillion KRW)[4]



Source: Korea Agro-Fisheries & Food Trade Corporation

Air fryers have become commonplace in 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 competitively priced products, health considerations are equally if not more important. In 2020, Korea had 8.13 million people aged 65 and over, 15 percent of the total population. The elderly population is expected to increase to 20 percent of the total population in 2025. With the increase in life expectancy, demand for nutritious products is increasing. Demand for healthy foods has continued to increase during the COVID-19 pandemic. As more people have started working out at home demand for healthier HMR products has risen. As a result, consumers can find more health oriented HMR options, such as high-protein, low fat, low carbs, and gluten-free products.

The trend can be also found in the beverage market. Sales of fruit juice with high sugar content have been decreasing while low sugar content products such as mineral water, sparkling water and tea 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 more affordable private brand products. This trend can be seen in the packaged soup market as well. 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.

[4] 2020 annual sales is an estimated data

Another notable trend in 2020 was restaurant meal replacements (RMR). RMR, a type of HMR, are packaged product made from recipes from famous restaurants. Customers can enjoy the menus from their favorite restaurants through RMR at home. According to a survey conducted by the Korea Food Industry Research Institute, 92.5 percent of restaurants experienced an average 65.8 percent decrease in daily visitors. As a result, the hotel and restaurant industry actively developed RMR products and distributed them mostly through online retailers. One of the largest online retailers, SSG.com, reported that RMR sales in January to November 2020 increased 64.8 percent compared to sales during the same period in 2019. Market Kurly, a premium online retailer, announced that RMR sales in 2020 increased 144 percent compared to 2019.

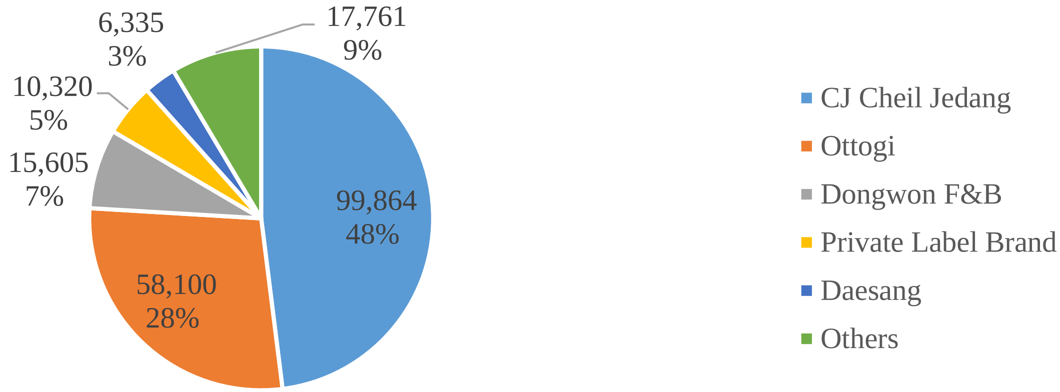
SECTION III. COMPETITION

The Korean HMR market is expected to reach 5 trillion KRW in 2022, more than 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.

The quality of HMR products has been improving as food processors invest in developing new products and cooking appliances in Korean households became more advanced. For example, air fryers have recently become a popular cooking method 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. 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 America processed food market. CJ has invested 200 billion KRW ($176 million) in researching and developing HMR products, and 540 billion KRW ($476 million) to build a manufacturing plant in Jincheon to produce consumer oriented HMR products. In September 2020, CJ Cheil Jedang also acquired CJ Foodville’s plant located near its new plant to diversify its product line. Other food processing companies are also investing aggressively in their own HMR brands. Dongwon F&B is investing 200 billion KRW to develop a land-based salmon farm. Daesang is investing 102 billion KRW to launch an R&D center to promote its food and ingredients business, and Ottogi plans to invest 40 billion KRW to expand its R&D center to launch new products.

Figure 4 Market Share of Food Processors in the HMR Market (2018 Q1 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. Among them, Emart is the most aggressive player in the market. Sales of Emart's premium HMR brand "Peacock" reached 250 billion KRW ($214 million) in 2017, a more than seven-fold increase since its launch in 2013. 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 prepare a meal at home with included pre-prepared ingredients.

RMR was one of the hottest food trends in 2020 when most people had to eat at home during the COVID pandemic. Restaurants, ranging from street vendors to five-star hotels, launched RMR products. Most of the restaurants tend to collaborate with food processors or retailers. For example, CJ launched RMR products under its restaurant brands VIPS and Seasons Table. Dongwon F&B collaborated with restaurants listed on the Michelin Guide.

While 2020 was a tough year for the café industry, the Korean café industry had been growing and has strong potential. 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. Sales of dessert items account for over 20 percent of total sales in Starbucks and 30 percent in Twosome Place.[5]

SPC Group, a major food conglomerate and bakery, 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 a bakery and café. It has 3,420 window bakery stores throughout Korea and 350 stores in foreign markets. SPC uses many quality products from the United States, including wheat, dairy, meat, produce, and value-added processed products.

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

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

- **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 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 the 2018 Korea Food Processing Ingredients Report.

- **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 the sustainable food movement, veganism, or animal welfare. However, trends come and go quickly in Korea so exporters should do careful research before entering the market.

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 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

Agricultural Trade Office Seoul (ATO)	atoseoul@fas.usda.gov
Agricultural Affairs Office Seoul (AAO)	agseoul@fas.usda.gov
Plant and Health Inspection Service Seoul (APHIS)	yunhee.kim@aphis.usda.gov

Please refer to the Korea Exporter Guide f or contact information for USDA cooperators, state offices, and industry organizations that offer export assistance. ATO Seoul's website (www.atoseoul.com) provides up-to-date information about Korea's food and agricultural imports, including:

- Korea's Agricultural Import Statistics: This spreadsheet, updated monthly, provides a summary of Korea's agricultural imports at the 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