



Prepared by: Yong Ja KIM

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Authorized by : Christina F. Halle

Deputy Director, ATO Seoul

A faint, light gray world map is visible in the background of the page, centered behind the title text. It shows the outlines of the continents and major countries.

Market Brief - Product

Korea, Republic of : Frozen Vegetables

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Seoul ATO [KS2], KS

Market Brief on Frozen Vegetables

July 1998

1. Market Prospects

Summary

Korea offers excellent market potential for U.S. frozen vegetables including french fries. Faster paced lifestyles, westernized eating habits and increased health consciousness on the part of consumers have boosted frozen vegetable consumption by 900 percent from 1993 to 1997. Over the past five years, consumption of french fries grew 20 percent annually. Korea's imports of frozen vegetables including french fries reached \$37 million in 1997, up 163 percent from \$14 million in 1993. Korea depends entirely on imports of these products as local production is negligible. Except for frozen garlic, the U.S. is the major supplier of these products. Increased demand for and consumption of frozen vegetables will most likely be met by greater imports and the U.S. is likely to remain the predominate source for these products in the future.

Advantages

- ! Korea depends entirely on imports for its supply of frozen vegetables including frozen french fries.
- ! Health conscious consumers are eating more vegetables including frozen vegetables.
- ! More and more new retail outlets are stocking frozen vegetables for purchase by individual consumers.
- ! Major hotels and western-style restaurants prefer U.S. frozen vegetables for their high quality, ease of use, and consistent supply.
- ! Frozen french fries are a well established item with Korean youngsters, ensuring long-term purchasing.
- ! Dominated by U.S. franchises, fastfood outlets favor U.S. french fries.

Challenges

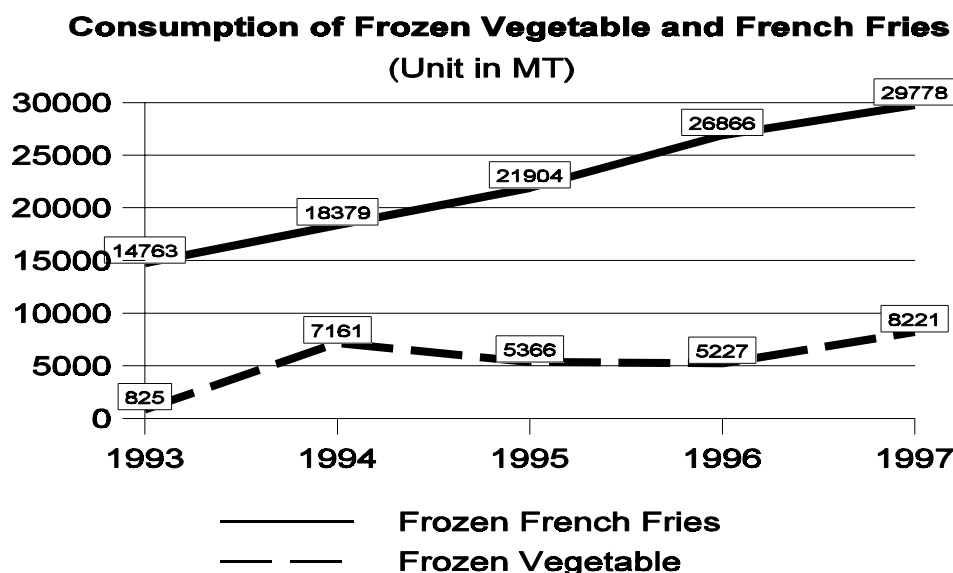
- ! Korea's tariff system for frozen vegetables is complex.
- ! The current economic downturn may lead to temporary weakened domestic consumption.
- ! Frozen vegetable usage is largely limited to hotels and the western style food service sector, but home use is expected to increase as consumer awareness grows.
- ! Fresh, not frozen, vegetables are traditionally used in Korean style foods, but the convenience of using frozen foods is expected to increase.

2. Market Access

- ! Tariffs on CIF value
 - Most frozen vegetables: 28.8% declining to 27% by 2004.
 - Frozen garlic: 30% declining to 27% by 2004.
 - Frozen french fries: 31.2% declining to 18% by 2004.
- ! Korean labeling, packaging and inspection standards change frequently in Korea. Exporters are advised to maintain close contact with an established Korean importer who should be the best source of current information on these requirements.

3. Trends in Consumption

- ! Frozen vegetable consumption increased by more than 800 percent over the past five years. This increase coincides with a growing trend to dine out. Consumers are growing more health-conscious and choosing vegetables to accompany their entrees when dining in western style restaurants.
- ! Hotels and large western restaurants use frozen vegetables for their good quality, consistent supply, minimal waste, and ease of use.

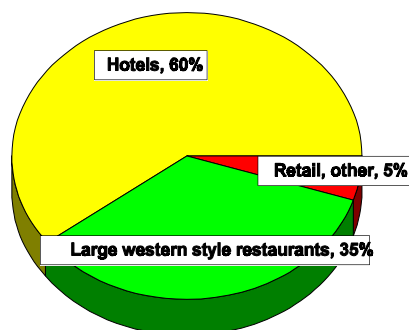


Source: Korea Customs Service

- ! Frozen vegetable mixes including corn, green beans, carrots, and peas are popular with housewives for making salad and using as ingredients in fried rice. While home usage is

currently small, it offers good growth potential.

Frozen Vegetable Consumption
1997



Note: Frozen garlic consumption is not reflected in this chart.

Source: Industry Contacts

! New retail outlets equipped with open show cases are opening their doors to frozen vegetables. Large retailers are experiencing steady growth in their initial sales of frozen vegetables.

! Small restaurant owners are major retail purchasers of frozen corn, carrots, broccoli, peas, green beans, and cauliflower.

! Frozen garlic accounts for a large part of frozen vegetables (46% of total frozen vegetable consumption). However, it is mainly used as an ingredient in food processing.

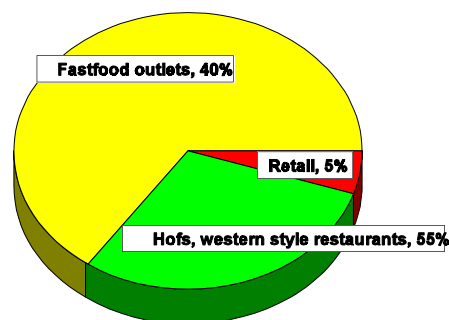
! Consumption of frozen french fries increased by more than 100 percent over the last five years, mainly boosted by heavy demand from numerous fastfood outlets. Shoestring and thin-cut potatoes are the two types commonly used in these fast food restaurants.

! Sales of french fries are especially strong in summer and winter vacation periods with purchases by teenagers and youngsters.

! Crinkle-cut and potato-gems are common in beer houses and small restaurants. Crinkle-cuts are served as a popular side dish with beer.

! Retail stores commonly sell shoestrings, crinkle-cuts, potato-gems and hash-browns. Housewives prefer to purchase shoestrings as a snack food for children, while potato-gems and hash browns are mainly purchased by small restaurant owners.

French Fries Consumption
1997



Source: Industry Contacts

4. Competition

! In general, imported frozen vegetables compete with canned and fresh vegetables.

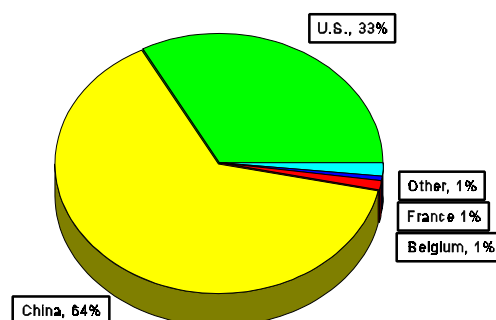
! The U.S. is the number one supplier of most frozen vegetables such as carrots, corn, broccoli, and mixed vegetables, except frozen garlic which comes mainly from China.

! U.S. products have a competitive edge due to their high quality combined with lots of variety. But, frozen vegetables from Europe especially Belgium have a competitive edge because they can be purchased at cheaper prices.

! U.S. frozen french fry products command 89% of Korea's market share. The balance is supplied by Canada and Australia who

Frozen Vegetable Suppliers

1997

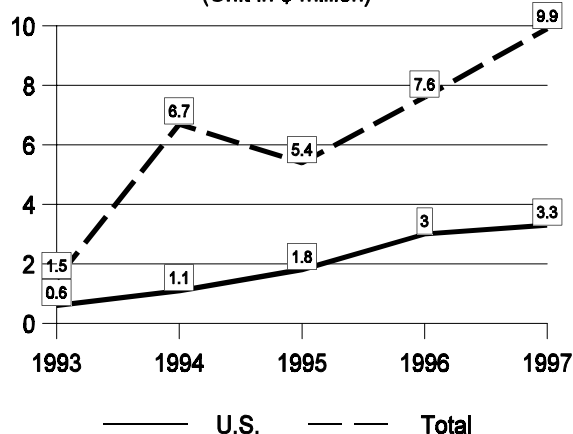


Note: China's volume is comprised mainly of garlic which is utilized almost entirely by the food processing sector.

Source: Korea Customs Service

Imports of Frozen Vegetables

(Unit in \$ million)

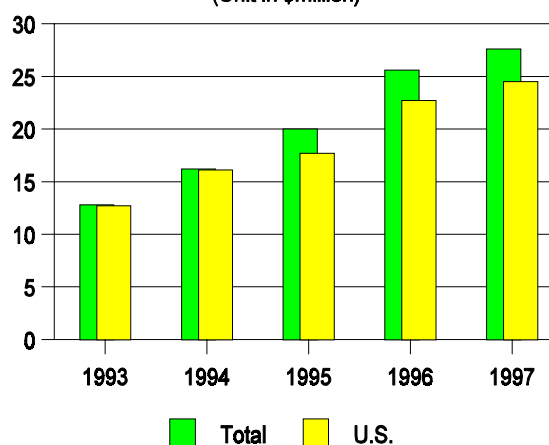


Source: Korea Customs Service

compete with low prices but less quality.

Imports of Frozen French Fries

(Unit in \$million)



Source: Korea Customs Service

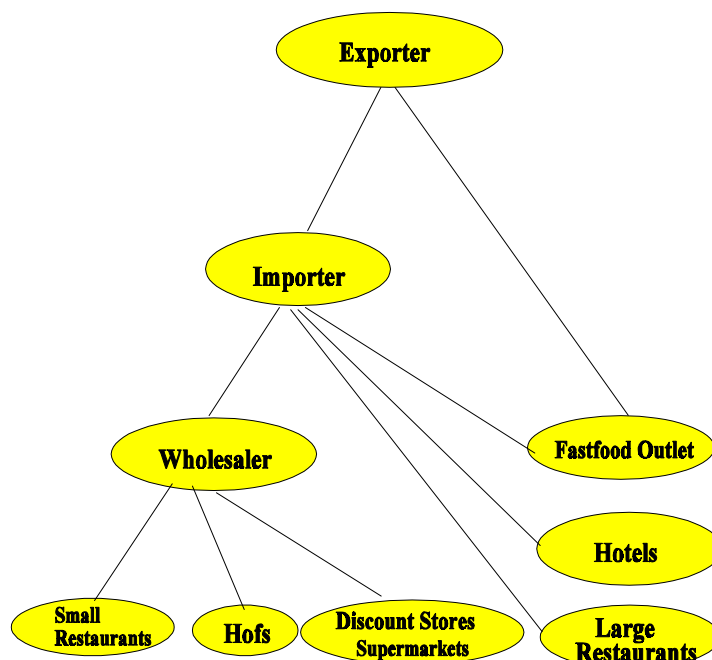
! A number of U.S. companies have had great success in the Korean frozen potato market through active market promotion.

5. Distribution Channels

! Korea Tourist & Hotel Supply Center (KTHSC) is the major importer of frozen vegetables. KTHSC distributes

products directly to their member hotels and restaurants. As of 1997, there were more than 450 hotels and 250 tourist restaurants registered with KTHSC.

! Leading fastfood outlets source frozen french fries directly from U.S. suppliers. This direct source accounts for about 30 to 40% of total imports of french fries.



Source: Industry Contacts

Distribution Channels

6. Pricing

- ! Industry contacts report Belgium frozen vegetables to be 30-40 percent lower in price than U.S. products. Importers' mark-ups generally ranged from 15 to 20%.
- ! At retail market, frozen vegetables are currently sold at \$1.57 - \$1.91 per 450 gram, while frozen french fries are sold at \$1.64 - \$2.71 per kilo gram.
- ! According to one market source, crinkle-cuts as a side dish in beer houses sell for about 10 times their purchase cost.

7. Packaging

- ! Korean labeling is required for all imported food. Please be sure to work closely with your Korean importer to ensure all labeling requirements are met.
- ! The typical size pack for frozen vegetables is 1 kg for both the hotel & restaurant business and the retail trade.
- ! Generally, frozen french fries are distributed to hotel and food service sectors in 13 kg cases (each case contains six 2.16 kg bags). Retail packs for household use range in size from 450 grams to 1 kg.
- ! At retail, frozen vegetables and french fries are packaged in a single layer plastic (vinyl) bag with colorful designs or pictures on the front. In an effort to reduce per unit prices, Belgium suppliers have introduced clear retail packs and smaller than normal size packs which can be marketed more cheaply. Korean consumers find the lower price and smaller packs especially appealing.

8. List of Importers

Please see attached.

End of Report

Market Briefs are researched and produced by the Agricultural Trade Office in Seoul, Korea. Market Briefs are meant to provide exporters with key information about the Korean market.

For further information contact:

Agricultural Trade Office

American Embassy

Unit #15550, APO AP 96205-0001

Tel. No.: 82-2-397-4188

Fax No.: 82-2-720-7921

E-mail: ATOSeoul@fas.usda.gov

Internet: www.atoseoul.com

List of Frozen Vegetable Importers

Song, Jang Geun, President
B.S. Foods Corporation
3-87, Hankuk Chungka, 600, Karak-dong
Songpa-ku, Seoul 138-160
Tel: (02)404-2581/2
Fax: (02)408-4071

Park, Ki Hwan, Manager
Everfriends Co.
88-29, Chungdam-dong, Kangnam-ku
Seoul 135-100
Tel: (02)543-1020
Fax: (02)542-5775

Kang, Byung Ho, President
Changshin Agricultural Co., Ltd.
3-93, Chunggua-dong, 600 Garak-dong
Songpa-ku, Seoul 138-160
Tel: (02)448-8567
Fax: (02)408-5185

Cho, Chul Kyu, Manager
Handuk Limited
6th Fl., Hanaro Bldg., 194-4,
Insa-dong, Chongro-ku, Seoul 110-290
Tel: (02)733-9999
Fax: (02)738-2882

Chung, Tae Gen, General Manager
Chunil Foods Manufacturing Co., Ltd.
420-6, Chungchun-dong, Bupyeong-ku,
Inchon 403-030
Tel: (032)524-2591/2
Fax: (032)528-7433

Chae, Byung Sun, President
Ilcho Agricultural & Ashery Co., Ltd.
5th Fl., Chunghak Bldg., 1459-11,
Seocho-dong, Seocho-ku, Seoul 137-070
Tel: (0344)74-5631/2
Fax: (02)587-3304

Jung, Jin Geun, President
Daeha Inds. Co., Ltd.
#405 Samho Bldg., 78-18 Chungangdong
4-ka, Chung-ku, Pusan 600-014
Tel: (051)462-7115
Fax: (051)464-3150

Han, Soon Keun, President
Leehan International Inc.
103-6 Karakbon-dong, Songpa-ku, Seoul
138-160
Tel: (02)443-6708/9
Fax: (02)407-7621

Park, Kwan Sup, President
Daekey Co., Ltd.
#613 Naengchun-dong, Kumho-eup
Youngchun-kun, Kyungbuk 771-800
Tel: (0563)34-6990
Fax: (0563)33-5450

Sohn, Kyung Hoon, General Manager
Samah International Corp.
3rd Fl., Chungsun Bldg., 265-24,
Yangjae-dong, Seocho-ku, Seoul 137-130
Tel: (02)556-4922
Fax: (02)557-6754

Lee, Jae Il, Assistant Manager
Dongil Cold Storage Co., Ltd.
90, Sunam-ri, Shindun-myon, Ichun-city
Kyongggido 467-840
Tel: (0336)638-5200
Fax: (0336)638-8284

Shim, Dong Ku, President
Simplot Korea
3rd Fl., Daerin Bldg., 825-25,
Yeoksam-dong, Kangnam-ku, Seoul 135-080
Tel: (02)561-4787
Fax: (02)561-4703

Song, Yong Woon, President
Dongyang Synergy Corporation
#302, Samhaw Bldg., 1016, Jaegi-dong,
Dongdaemoon-ku, Seoul 130-060
Tel: (02)969-9651
Fax: (02)969-9653

Kim, Soo Jong, General Manager
Sunrin Trading Co.
#501, Samwha Bldg., 1016, Chegi-dong,
Tongdaemun-ku, Seoul 130-060
Tel: (02)969-3782/3
Fax: (02)969-3784

Yoo, Eun Sung, President
E.S. International Ltd.
#301, Dongwon Bldg., 735-25,
Yoksam-dong, Kangnam-ku, Seoul 135-080
Tel: (02)562-4467
Fax: (02)568-2254

Kim, Sae Jin, Executive Director
Wooyon Co., Ltd.
Rm. 407, Samwon Bldg., 1024-6,
Bangbae 3-dong, Seocho-ku, Seoul 137-063
Tel: (02)3471-8568/9
Fax: (02)598-7665

Yoo, Kwon Yeol,
Youngheung Groceries Co., Ltd.
248-3, Bokjong-dong, Soojung-ku,
Sungnam-shi, Kyunggi 461-200
Tel: (0342)759-5900
Fax: (0342)759-5700

List of French Fries Importers

Ko, Sung Ho, Manager
Americana (Americana Co.)
236-11, Nonhyun-dong, Kangnam-ku
Seoul 135-010
Tel: (02)546-6703
Fax: (02)546-6709

Chung, Tae Gen, General Manager
Chunil Foods Manufacturing Co., Ltd.
420-6, Chungchun-dong, Bupyeong-ku,
Inchon 403-030
Tel: (032)524-2591/2
Fax: (032)528-7433

Lee, Jae Hwan, General Manager
Doturak Co., Ltd.
787 Soowolam-ri, Seotan-myun
Pyungtaek-shi, Kyunggi-do 133-200
Tel: (0333)63-4696
Fax: (0333)63-4697

Lee, Chang Sub, Ag. Dept.
Haitai International Inc.
9-11th Fl., Dabo Bldg., 140,
Mapo-dong, Mapo-ku, Seoul 121-050
Tel: (02)3270-1600
Fax: (02)715-0150

Lee, Ho Chul, Assistant Manager
Hardee's (Sejin Food System)
Yaesung Bldg., 150-30, Samsung-dong,
Kangnam-ku, Seoul 135-090
Tel: (02)561-5631
Fax: (02)561-7277

You, Heung Jin, General Manager
Kodeli Ham Co., Ltd.
San 164, Dongchun-ri, Sooji-eup,
Yongin-si, Kyunggi-do 449-840
Tel: (0331)263-2721
Fax: (0331)263-2705

Lee, Min Hee,
Kodeli International Inc.
San 164, Dongchun-ri, Sooji-eup,
Yongin-si, Kyunggi-do 449-840
Tel: (02)569-7236
Fax: (0331)263-2705

Kwon, Hyuk In, General Manager
Lotteria (Lotteria Co.)
98-6, Kalwol-dong, Yongsan-ku,
Seoul 140-150
Tel: (02)709-1114
Fax: (02)709-1034

Lim, Keun Saeng, Manager
Maeil Dairy Inds. Co., Ltd.
Taekwang Bldg., 162-1 Jangchoongdong,
2-ka, Chung-ku, Seoul 100-392
Tel: (02)276-1551
Fax: (02)276-1550

Lee, Sun Keun, Manager
Sungbu Intl. Inc.
Sungbu Bldg., 242-51, Nonhyun-dong,
Kangnam-ku, Seoul 135-010
Tel: (02)544-8377
Fax: (02)546-2987

Suh, Bong Ho, Manager
Hyangdo Intl. Inc.
98-3, Karak-Bon Dong, Songpa-ku,
Seoul 138-160
Tel: (02)449-4367
Fax: (02)449-4369

Kim, Ki Tack, Manager
Ilkyung Foods Co., Ltd. (Burger King)
8th Fl., Samji Bldg., 158-23,
Samsung-dong, Kangnam-ku, Seoul 135-090
Tel: (02)538-0384/5
Fax: (02)565-4633

Park, Young Kyu, President
Wooil Co. Ltd.
759-1, Kwanghaewon-ri, Masung-myun,
Jinchun-kun, Chungbook 365-830
Tel: (0434)535-2636
Fax: (0434)535-3395