

**Voluntary Report** – Voluntary - Public Distribution

**Date:** March 23,2020

**Report Number:** KS2020-0015

**Report Name:** Korean Food and Agricultural Market Conditions Under COVID-19 Outbreaks

**Country:** Korea - Republic of

**Post:** Seoul ATO

**Report Category:** Agriculture in the Economy, National Plan, Policy and Program Announcements, Agriculture in the News, Agricultural Situation

**Prepared By:** ATO and OAA Seoul

**Approved By:** Andrew Anderson-sprecher

**Report Highlights:**

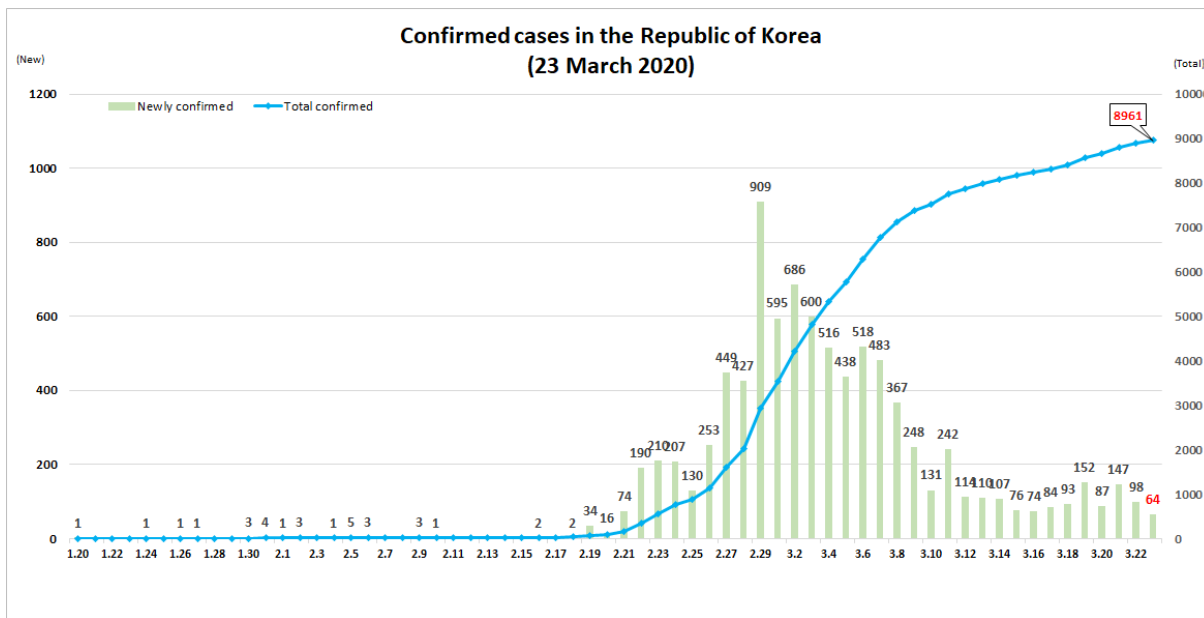
The Korean food market has been seriously hit by the on-going COVID-19 outbreak. Consumers have reduced outdoor activities dramatically, including shopping and dining trips, since the first local infection reported on January 20, 2020. Food supplies are ample and prices have been stable.

## Korean Food and Agricultural Market Conditions Under COVID-19 Outbreaks

The Korean food market has been seriously hit by the on-going COVID-19 outbreak. Consumers have reduced outdoor activities dramatically, including shopping and dining trips, since the first local infection reported on January 20, 2020. The Korean government upgraded the disease status to 'Serious' (the highest level) on February 23. Although daily new infections have been on a general decline, consumers remain cautious and most are still practicing social distancing. On March 17, the government announced another two-week delay in local school opening to April 6. The government is urging people to only leave home for essential activities and has recommended the closure of bars, eat-in restaurants, religious services, and indoor sports. As of March 23, 8,961 people have tested positive with 111 reported deaths. For current information on cases in Korea, please visit the [Korean Center for Disease Control](#).

Most food retailers have ample supplies and prices have been stable. Online food sales have skyrocketed. Grocery stores have seen an increase in sales as well as more people eat at home. Restaurants have been hit hard as people implement social distancing. Trade has not been significantly disrupted, although some importers report a large drop in sales. The strong U.S. dollar is making imports more expensive. Air and sea freight costs are trending higher as supply chains face disruptions.

Korean agricultural production is threatened by a shortage of migrant labor due to virus-related travel restrictions. Other inputs remain in sufficient supply. Market conditions have impacted some product exports and smaller producers that supply school cafeterias, which have been closed for a prolonged period. The Korean government announced a \$49 million farm loan support farmers hurt by the COVID-19 outbreak. Payment triggers include lost pay due to imposed quarantines, virus-related labor shortages, and other similar causes. The loans offer credit for 1-3 years at 1.2-1.8 percent interest depending on the commodity. The loan maximum is \$40,000 per farmer.



## **Food Market Trends**

### **Consumer Traffic**

- Consumer traffic remains greatly reduced.
- Many corporations and public offices have implemented telework for their employees.
- Schools are closed through April 6.
- Colleges and universities have switched to online classes through April 13.

### **Retail Trends**

- Consumers are opting for on-line shopping to avoid infection risk, resulting in a sharp increase in online food sales.
- Online grocery sales growth has been limited somewhat by capacity restraints.
- Conventional retailers are also seeing increased sales, although fewer visits, as people stock up on food to eat at home.
- Warehouse style stores, such as Lotte's Big Mart, Shinsegye's Traders, and Costco, have seen strong sales increase as consumers look to stock up necessities and food in bulk.
- Convenience stores have experienced a drop in sales, particularly in business districts.

### **Consumption Trends**

- Increased demand for products used to cook home meals, such as meat, fish, rice, vegetables, sauces, and condiments.
- Strong demand for easy to prepare foods, such as instant noodles, home meal replacement prepared foods, meal kits, and frozen foods.
- Strong demand for emergency foods, such as bottled water, beverages, and canned foods.
- Strong demand for health functional foods, such as ginseng and nutritional supplements.
- Weak demand for non-essential products.

### **Restaurants and Food Service**

- Restaurants are suffering from a sharp decline in consumer traffic.
- On-line restaurant meal delivery services are receiving increased orders.
- Retailers and foodservice companies are expected to deploy aggressive promotions to bring consumer traffic back to their stores after COVID-19 concerns abate.

### **Imports**

- Import distributors report 20 – 80 percent decline in sales in February.
- Importers forecast reduced new orders over the next two months, possibly longer.
- The strengthening dollar has created challenges for importers (the Korean Won - U.S. dollar exchange rate was 1,285 on March 19, up 11 percent from January 1).
- Korea's feed grain industry has been resilient and bulk feed imports (including from the United States) are continuing as normal.
- Ethanol imports are up 36% over the same period and trade data is expected to reveal surging imports for several months, given booming demand for sanitizers and cleaners.

## **Exports:**

- Korean agricultural exports to China (its largest market) fell 23 percent in January and another six percent in February due to the impact of COVID-19.
- Korean agricultural exports to the world fell 12 percent in January but recovered slightly in February to reach \$1.069 billion.
- Korean agricultural exports to the United States rose 26 percent compared to the same two-month period last year.

## **Logistics**

- No change in import inspection procedures.
- The number of flights between Korea and many other countries has been dropping. This has impacted the availability and price of air freight.
- The availability of shipping containers and ocean freight rates have been impacted by reduced trade.

## **Local Production and Supply**

- There are no reports of major disruptions to food production or supplies.
- There were some retail food shortages early in the outbreak but the situation has now largely normalized.
- Farmers are reporting labor shortages as the outbreak has disrupted the arrival of migrant seasonal workers.
- The consumer price index for February was 105.8, up 1.1 percent from the same month last year.
- The government has announced aid packages to farmers impacted by the COVID-19 outbreak.
- Farmers supplying school cafeterias were severely impacted by school closures. School cafeterias must follow strict local purchase, non-biotech and organic sourcing requirements. Farmers supplying these products have had trouble finding other buyers.

## **News Summaries**

### **[Hanaro Mart Reports Strong Sales Growth of Meat during COVID-19 Outbreak](#)**

***DongA, 3-23-2020, Korean***

Summary: Hanaro Mart, a leading hypermarket grocery store chain under the Korean Federation of Ag Cooperatives, reported on March 23 that its sales of meat products during February 18 to March 17 increased 37 percent compared to the same period last year. Hanaro Mart explained that increased home dining was the reason for the strong growth. Hanaro Mart added that sales of hanwoo beef increased 30 percent in Hanaro stores and 94 percent through its on-line shop during the period.

### **[Travelers through Seoul-Incheon Airport Down 92% ... Outbound Flights Down 88%](#)**

***DongA Ilbo, 3-20-2020, Korean***

Summary: Seoul-Incheon International Airport (the main airport in South Korea) reported that it serviced 140 flights on March 19, down 88 percent from regular levels. The number of passengers who departed or arrived totaled 14,939, down 92 percent from two month ago. Most duty-free shops in the airport are closed due to a lack of shoppers.

### **Retailers Promote Prepared HMR Products Targeting People Staying Home**

***DongA Ilbo, 3-20-2020, Korean***

Summary: On March 19, Lotte Mart, a leading hypermarket grocery store chain in South Korea, launched an in-store promotion on Home Meal Replacement products. The event targets consumers who are staying home due to COVID-19.

### **KRA Extends Horse Race Closure Until April 9**

***HanKyung, 3-19-2020, Korean***

Summary: The Korea Racing Authority (KRA) announced on March 19 that it would continue the suspension of races in all three racetracks in South Korea until April 9 because of COVID-19. KRA said the extended suspension would result in a \$880 million loss in betting revenue. KRA earned \$6.4 billion in betting revenue from local races in 2019.

### **Strong Sales Growth for HMR and Healthy Foods during COVID-19 Outbreak**

***HanKyung, 3-19-2020, Korean***

Summary: More people are dining at home during the COVID-19 outbreak, generating strong demand for Home Meal Replacement (HMR) products. Increased health concerns are also leading to strong sales of health functional foods. GS25, a leading convenience store chain, saw 176 percent sales growth for packaged chicken salad in February. Wemakeprice, a major on-line retailer, saw 321 percent sales growth for packaged chicken ginseng soup in February. Korea Ginseng Corporation saw 95 percent on-line sales growth for processed red ginseng products in February.

### **CU Reports 19.2 Percent Increase in Sales of Side Dishes**

***NEWSIS, 3-18,2020, Korean***

Summary: CU, one of the convenience store chains operated by BGF Retail, announced that sales in the late-night time slot between 11:00 p.m. and 2:00 a.m. has increased by 5.3 percent over the same period last year, as companies extend telecommuting work for their employees due to COVID-19. Sales of chilled side dishes and instant foods (such as roasted sweet potato and chicken pieces) increased 19.2 percent and 10.1 percent respectively. Sales of beer and wine that go well with side dishes also went up 19.6 percent and 19.8 percent. With no burden to go into work the following day, more people are looking for late-night snacks, CU added.

### **ROKG Provides 90 Billion Won of COVID-19 Support Funds to Farmers and Fishermen**

***DongA Ilbo, 3-18-2020, Korean***

Summary: The Korea Ministry of Agriculture, Food, and Rural Affairs reported on March 18 that it started to provide 60 billion won (\$50 million) of disaster relief financial support to local farms that have been affected by COVID-19 outbreaks. The Ministry of Marine & Fisheries also announced billion won (\$25 million) in financial support to fishermen affected by COVID-19 outbreaks.

### **Home Delivery Orders Surge**

***DongA Ilbo, 3-18-2020, Korean***

Summary: Consumers are opting for “untact” (non-personal contact) shopping tools due to COVID-19. On-line retailers have seen strong sales growth as a result. Coupang, the leading on-line retailer in Korea, reportedly generated 1.6 trillion won (\$1.4 billion) in sales in February, up 140 percent from the same month last year. BDM, the leading on-line restaurant meal delivery service, reported that its sales

during the first two weeks in March increased 9 percent from the same period last year. Consumers are even requesting that deliveries be left in front of their doors so they can avoid contact with delivery crews.

#### **[Five Star Hotels in Seoul Launch Premium Lunch Boxes for Delivery](#)**

***DongA Ilbo, 3-18-2020, Korean***

Summary: Leading five star hotels in Seoul, including Westin Chosun Hotel, Lotte Hotel, and JW Marriott Seoul, have introduced premium lunch boxes for delivery. This is to cope with reduced consumer traffic and meet increased demand from corporations opting for in-house meetings and events amid the COVID-19 outbreaks. Lotte Hotel is offering a 'drive through' pick up option to minimize personal contact.

#### **[Lotte Department Gwangju Store Creates a New Shopping System: Drive-Pick](#)**

***NEWSIS, 3-17-2020, Korean***

Summary: On March 17, Lotte Department Gwangju Store announced Drive-Pick, a new shopping service for customers to reduce uncertainty about COVID-19. Drive-Pick is a shopping service that allows customers to pick up items at the valet parking desk after purchasing them through the Lotte Department Store online app. This service is an effort to prevent the spread of COVID-19 by joining the social distancing campaign.

#### **[LS Tower Introduces 'COVID-19 Safety Divider' on Restaurant Tables](#)**

***HanKyung, 3-17-2020, Korean***

Summary: LS Tower introduced 'COVID-19 safety dividers' on restaurant tables on March 18 as a measure to prevent COVID-19 infection. LS Tower was closed for two days for disinfection earlier in February when an employee tested positive for COVID-19.

#### **[Transient Population Drops 85 Percent in Downtown \(March 16\)](#)**

***FNNEWS, 3-16-2020, Korean***

Summary: The number of people visiting main downtown commercial districts has dropped 85 percent, resulting in a similar drop in sales among retail stores in the districts. The number of people visiting downtown Seoul (Jung-gu district) dropped from 9.3 million a day on February 9 to 2 million a day on February 29. The number of visitors to Susung-gu, Daegu, which was hit the most by COVID-19, dropped from 10 million a day to 1.5 million a day during the same period.

#### **[COVID-19 Impact Will Last a Minimum of Six Months, Neilson Korea](#)**

***FOODNEWS, 3-11-2020, Korean***

Summary: Neilson Korea, a global consumer research firm, reported on March 11 that the impact of COVID-19 outbreaks in the consumer market would likely last minimum 6 months. According to Neilson, the switch to on-line shopping will be the most significant outcome. According to Neilson's surveys, the number of on-line purchases and the amount time spent on on-line shopping tools increased 28 percent and 19 percent respectively in February compared to January. At the same time, limited supplies of grocery food through on-line retailers resulted in increased consumer purchases from conventional retail stores in February. For example, the number of purchases from hypermarket stores increased 32 percent in the eighth week in 2020 compared to the previous week. Hypermarkets saw strong sales growth for prepared microwavable soups and stews (44 percent) and frozen pizza (23 percent).

### **Restaurants Report 60 Percent Decline in Consumer Traffic under COVID-19 Outbreaks**

#### ***Food and People, 3-10-2020, Korean***

Summary: According to the Korea Restaurant Association's (KRA) fourth 'corona virus impact' survey (administered on February 28), restaurants saw a 59.2 percent decline in daily consumer visits on average due to the COVID-19 outbreak. The decline in consumer visits increased from the first round survey (-29.1 for the two weeks after the outbreak), the second round survey (-26.1 percent for three weeks after the outbreak), and the third round survey (-32.7 percent for the four weeks after the outbreak). Restaurants in Gyeongsang province reported the highest decline (-66.8 percent), followed by Gangwon (-65.9 percent) and Choongchung (-65.2 percent). Korean cuisine restaurants reported the highest decline (-64.1 percent), followed by Japanese and western cuisine (-55.2 percent).

### **Korean Consumers Increased Grocery Food Purchases 23.6% during January-February**

#### ***HanKyung, 3-6-2020, Korean***

Summary: KANTAR, a global consumer market research firm, reported that grocery food purchases increased 23.6 percent during January and February this year compared to the same period last year according to its survey of Korean households. In contrast, non-food purchases declined 4.9 percent. The per-purchase spending amount for groceries increased 23.5 percent while the purchase frequency declined 1.2 percent as consumers tried to reduce shopping and stock up on non-perishable foods. Products that saw purchase growth were beverages (30.8 percent), sauces & condiments (11.5 percent), snacks (17.0 percent), instant noodles (26.5 percent), and frozen foods (13.4 percent). Non-food products associated with hygiene also showed strong growth - hand sanitizer (253.8 percent), soap (11.5 percent), household cleanser (28.1 percent), and paper tissues (22.2 percent). On-line grocery shopping increased the most (75.7 percent). However, grocery retail stores also had increased sales, with sales at hypermarkets and supermarkets growing 22.5 percent and 13 percent respectively. However, convenience stores saw a 2.3 percent decline in food sales. KANTAR reported that the impact of COVID-19 outbreaks in terms of consumer grocery food purchases were much stronger than during the MERS or SARS virus outbreaks.

#### **Attachments:**

No Attachments.