



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/8/2002

GAIN Report #KS2031

Korea, Republic of

Agricultural Situation

Korean Market Highlights - July

2002

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Report Highlights: The Korean economy grew by 5.7 percent in the first quarter of 2002, and the GDP rate for entire year is now forecast at 6.4 percent. The Korean Won has gained 7 percent against the U.S. dollar since January 1 of this year, which bodes well for imports of U.S. agricultural products. Korean imports of U.S. agricultural products were up 1 percent to \$1.4 billion through May, with processed foods recording 40 percent growth, seafood 16 percent growth. These gains were offset by lower sales levels of corn and other bulk products.

FAS has endorsed the Food and Hotel Korea 2003 exhibition, to be held March 18 - 20 in Seoul. It is the first trade only international food show in Korea.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Seoul ATO [KS2], KS

A. Economic and Market Update

The Korean economic outlook and situation for U.S. Imports has experienced unexpected upturns in the first quarter of 2002, largely attributed to a near 10 percent increase in domestic demand balanced by a 2.6 percent growth in exports. Consumer confidence, meanwhile, has climbed higher in response to a rapid decline in import prices in comparison to that of exports, further suggesting economic improvement in the months ahead. Reported GDP growth rate at the end of March reached 5.7 percent, up 2 percentage points from the last quarter. Unemployment figures have now declined for four consecutive months to 2.9 percent in May, due in large measure to an increase in construction and service sector hiring coupled with increased production of semi-conductors, automobiles, hi-fi and communication equipment. Construction sector numbers remained optimistic experiencing a 168.6 percent increase in orders compared to the same month last year. Despite this positive trend in the first quarter of 2002, however, consideration should be given to the impact that may result from upcoming local and national elections, the World Cup, U.S. economic recovery, and the mixed won/dollar exchange rate.

U.S. agricultural product imports by Korea in the first five months were up 1 percent to \$1.4 billion, with over 40 percent growth in consumer oriented products and 16 percent growth in the fish and seafood sector. This was offset by declines in both bulk and intermediate agricultural products.

Consumer ready product imports of beef increased in the first quarter as a result of more competitive pricing in a recovering Korean economy. Imports of U.S. poultry were up 75 percent as poultry has become a likely substitute for consumers fearful of Foot and Mouth Disease. Citrus fruit imports have increased slightly in preparation for the upcoming summer months. Fish and seafood imports increased through May with over 50 percent growth in the area of frozen fish as domestic supplies decreased.

Bulk grains from the U.S. were down at the end of May with a 63 percent decrease in corn imports due to a combination of factors including continued "Starlink" concerns, competitive pricing from Chinese suppliers, and substitute capability of lower priced feed wheat. Imports of U.S. cotton were down slightly as price sensitivity led buyers to cotton markets in China and Russia. Wheat imports declined 10 percent as global market prices and quality continue to increase in competitiveness. Imports of U.S. rice, however, were recorded for the first time in years resulting from higher quality import specifications under the Ministry of Agriculture's MMA quota commitment. U.S. soybean imports also yielded positive in May as soy based products continue to be an important ingredient in the diet of Korean consumers.

Intermediate product imports fell slightly with decreases in soybean meal and bovine leather while sustaining a 40 percent increase in hay and fodder purchases. U.S. log imports by Korea in the forestry sector yielded positive growth from Jan-May driven by increased demand for hard wood products used in the furniture and construction industry.

Overall, the Korean economy is improving as domestic demand increases for higher quality products. The Korean won has strengthened by 7.0 percent versus the U.S. dollar since January 1 of this year and will continue as the government seeks monetary reform. Growth rate expectations are set at 6.4 percent for 2002 with U.S. agricultural imports likely to exceed last years' totals of over \$ 3.3 billion.

B. Coming Events

Food Korea 2002 - November 15 -19 - ATO Seoul will again participate in this exhibition with the local representatives of U.S. Cooperators, MAP Participants, and the agents of U.S. suppliers. This show is sponsored by the Korean Ministry of Agriculture, and is open to the public. It is a good show to promote new offerings to consumers, and thus suited well to local agents.

Food and Hotel Korea 2003 - FAS will endorse the Food and Hotel Korea 2003, to be held next March 18 - 20 at the SETEC convention center in Seoul. This is the first trade only international food exhibition in Korea, and ATO Seoul is excited about promoting this show to U.S. exhibitors. ATO Seoul will help with the organization of the U.S. Pavilion at this event, in place of the Great American Food Show or U.S. Food Showcases that we have organized in the past. For more information, please contact Mr. Oh, Sang Yong (ohs@fas.usda.gov) in our office, or the FAS Trade Show Office in Washington.

C. Selected Hot Topics and Past Events

1. Traveling Trade Show - ATO Seoul successfully organized on June 25 a "Traveling Trade Show" in Jeju Island, the biggest tourist market in Korea that accommodates a sizeable food service and hospitality industry. Eleven Korean importers of U.S. food products and USDA cooperators exhibited, presenting more than 150 different U.S. food products, many of which were new to the local market. Exhibitors reported a total of 34 serious contacts, \$45,000 of on-site sales contract and \$303,000 of expected future sales resulting from the show.

2. World Wine Festival - Seoul, June 22 - 23, 2002 - The U.S. Wine Pavilion that ATO Seoul organized at the World Wine Festival brought an excellent chance for local wine trade and opinion leaders to experience the quality and variety of U.S. wine. In addition, the U.S. wine seminar that ATO Seoul also hosted at the show helped some two hundred wine enthusiasts to have a better understanding about U.S. wine. ATO Seoul's wine activities will help U.S. wine to grasp bigger share of the rapidly growing imported wine market in Korea.

3. Buyers Mission to Vernon City, California - ATO Seoul sponsored a group of five Korean food service/distribution companies on a buying mission to Vernon, California on their way back Korea from attending NRA Show 2002. The activity was highly effective in introducing new suppliers and products from the region. Participants indicate new purchase intentions for \$250,000 over the next 6 months. Follow-up surveys at six month intervals will track the amount of actual purchases.

4. National Restaurant Association/American Food Show - The estimated number of Korean attendees at the NRA Show was about 50 people from food service operators (fast food, institutional, family restaurant, catering), food importers/distributors, kitchen equipment importers, etc. ATO Seoul will survey participants in coming months for a sales estimate after receiving a list of Korean attendees from the NRA organizer.

5. Buyers Mission to All Things Organic 2002 - The ATO organized a group of 12 Korean organic product importers to this show in Austin, Texas - as "add on" travel to the NASDA/FMI show. The

purpose of the visit was to educate the importers about the variety of U.S. organic products available for export, and introduce them to U.S. suppliers. The group also visited organic farms and retail outlets. Participants expect to import a variety of organic products as a result of the trip.

6. Candy Buyers Mission/All Candy Show - The ATO sponsored a group of 8 Korean candy and confectionary importers to attend the All Candy Show in Chicago, and visit with confectionary companies in Northern Illinois and Southern Wisconsin, during June 2 - 9. The company visits were coordinated and sponsored by the two state governments through MIATCO. The mission reported \$2.5 million in purchases, including \$285,000 in Wisconsin. The ATO spent about \$14,000 for the mission.