



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 3/24/2008

GAIN Report Number: KS8016

Korea, Republic of

Product Brief

Korean Pet Food Update

2008

Approved by:

Stan Phillips, ATO Director
Agricultural Trade Office, Seoul

Prepared by:

LeeAnna McNally and Young Sook OH, Ag. Marketing Assistant

Report Highlights:

Korea imported \$58 million worth of pet food in 2007. This is a 14 percent increase compared to the \$39 million imported in 2006. In 2008, it is forecast that imports will continue to grow.

South Korea imported \$24 million worth of pet food from the United States in 2007, up from \$22 million in 2006. This 12 percent change is predicted to continue to grow in 2008 due to the growing popularity of pets in Korea.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Seoul ATO [KS2]
[KS]

1. Market Prospects

Summary

Korea still has potential for growth in the pet food and pet care product market largely due to per capita income growth in recent years. 2007 per capita income in South Korea¹ is significantly higher at \$24,600, compared to \$19,354 in 2004.

In 2007 the United States had the largest market share (42 percent), amounting to \$22.4 million, followed by China (23 percent), Australia (13 percent) and Thailand (7 percent). The remaining 15 percent was divided among many countries.

Competition from Chinese suppliers has increased reportedly due to the influx of Japanese investment in Chinese pet food manufacturing companies. Korea continues to import pet treats from China as well as pet food. In 2007, South Korean pet owners spent an estimated \$250 million on pet food. Increasing incomes in Korea are expected to result in continued demand growth for items like pet food.

2. Market Opportunities and Constraints

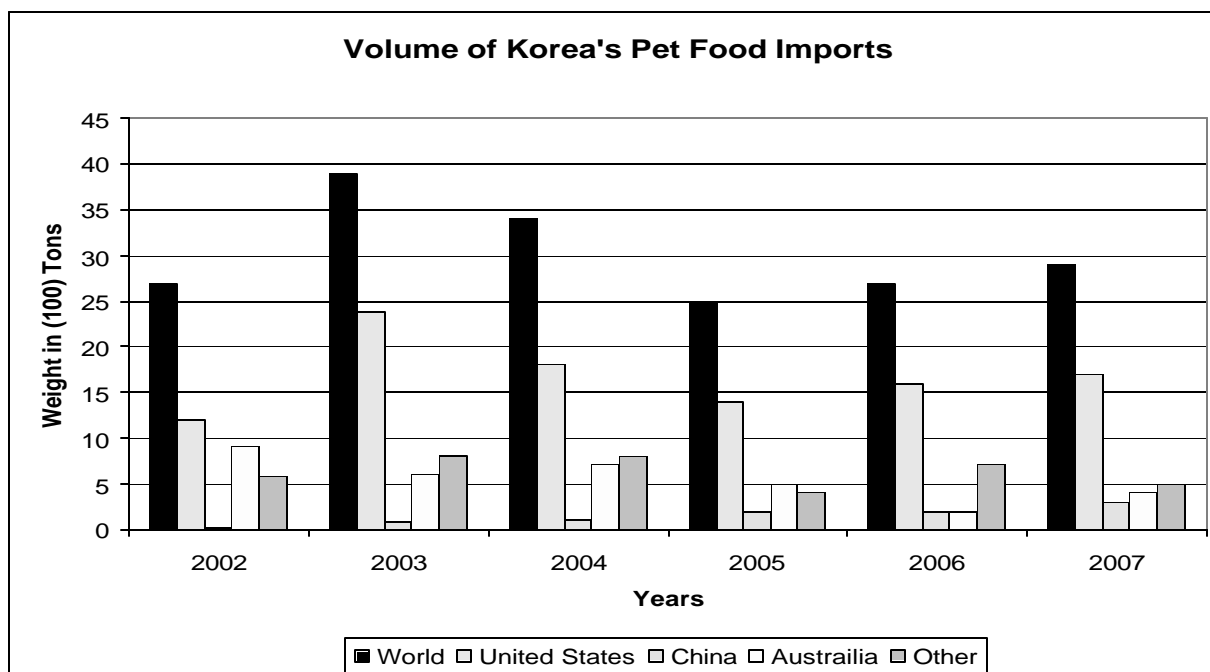
Opportunities

- The 47 million people in South Korea comprise 15 million households. 2.5 million Korean households own pets according to the Korean Pet Product Manufacturers Association.
- Among households with pets, 2.2 million own dogs and 0.3 million own cats. Cat ownership is continuing to grow at a rate of 30 to 40 percent on a yearly basis and is especially popular with the younger generation. Ease of care and suitability for small apartments are cited as the factors driving increased cat ownership among Korean households. Other pets in Korea include fish, birds, gerbils, and reptiles.
- In contrast, some Koreans, particularly those of a certain age, do not consider cats to be suitable pets.
- Most of the pet food bought by the Korean consumer is dry food, although canned wet food is considered a premium product and is available. Korean dry pet food makes up 95 percent of the market while wet canned pet food makes up 5 percent.
- The United States continues to not only export dry pet food to Korea, but wet as well. Australia exports are 100 percent dry food, giving them no opportunity to share in the wet pet food market.
- Internet shopping for pet food can be inexpensive and a convenient way to shop for pet food. Many individuals are designing websites and offering delivery service for a small fee. Some trade contacts suggest that internet-based pet food sales makes up 30 percent of the Korean pet food market.

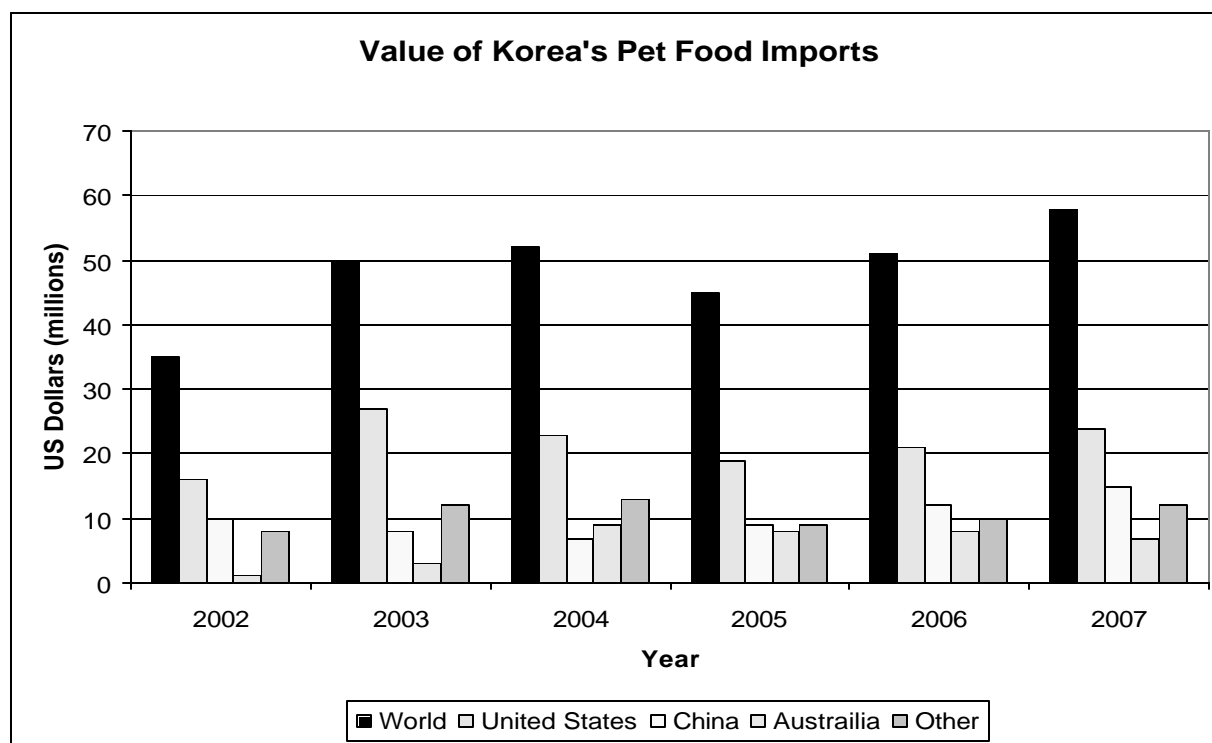
¹ World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/index.html>

Constraints

- U.S. pet food exports to South Korea are currently limited to pet food without any ruminant ingredient packaged for retail sale. For additional information on Korean standards and regulations see report [KS7053](#) under "attaché reports" on www.fas.usda.gov
- The retail side of the pet food market can be difficult to enter due to the many small shops available. This makes it hard to have competitive prices as well as establish a good customer base. Korea currently has no large convenient pet food store such as PetSmart.
- Australia is competing with the United States for the largest market share for pet food in Korea when considering weight. China is the largest competitor of the United States as far as value. Many Japan companies, who were the leading supplier of pet treats to Korea, moved their plants to China in early 2007.
- Korean imports 60 percent of all pet food consumed, only 40 percent is domestically produced.
- U.S. suppliers lack knowledge of the Korean pet food market and its opportunities.



Source: www.kita.org and www.gtis.com

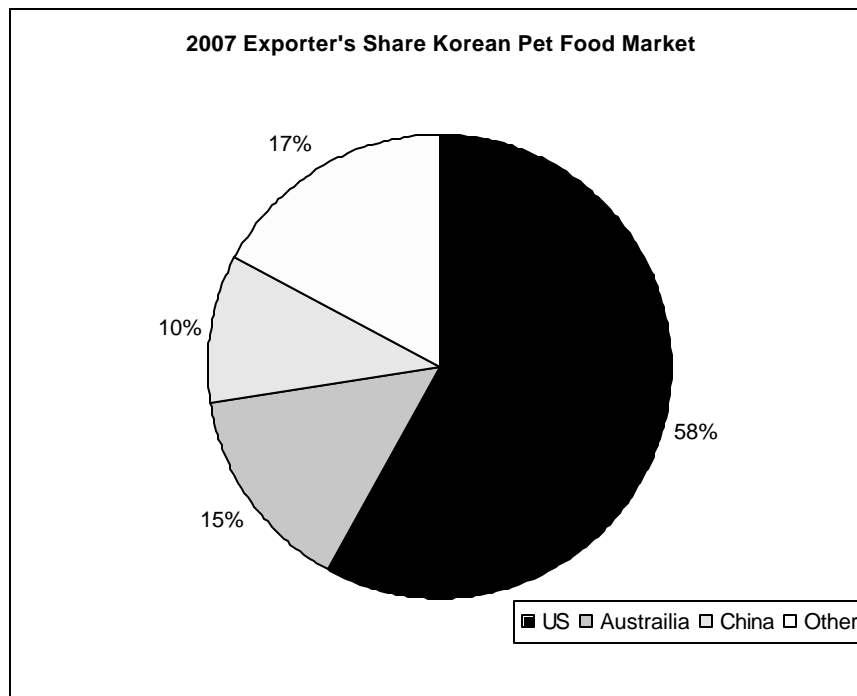


Source: www.kita.org and www.gtis.com

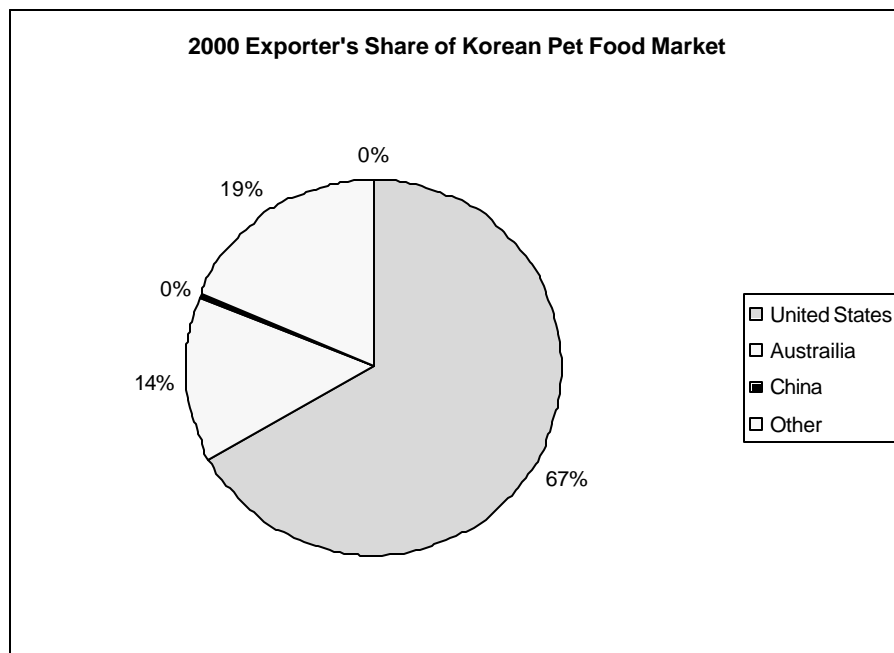
3. Trends in Consumption

- Korea imported 29,880 tons of pet food in 2007 including 17,246 tons from the United States. This is a 5 percent increase from 2006 when Korea imported 16,377 tons from the United States.
- The Korean Pet Product Manufacturers Association estimates there are 2.2 million pet dogs in Korea.
- Twenty percent of pet owners are using the internet to purchase pet food versus alternative stores according to the trade sources.
- Wet pet food as well as the organic pet food business accounts for a small portion of the market, however both organic and wet pet food are considered to be a premium type of food versus dry pet food.
- Fish and cats are growing in popularity around Korea, it is estimated that the cat population rise well over the 300,000 in 2008. Fish are increasing in popularity due small space and ease it takes to care for them.
- In the year 2004, pet food imports dropped dramatically (by 50%) for a few months from the United States due to the discovery of BSE related restrictions temporarily required by the Korean government.
- Many hotels in Korea offer upscale services for pets including beauty salons among other services.

- Currently the United States dominates the market share in terms of value and weight. The charts below show the top five competitors of the United States as of November 2007.



Source: www.gtis.com



Source: www.gtis.com

4. Tariff and Labeling

Pet food is listed under the Harmonized System Code as 2309.10 for "Dog or cat food put up for retail sale" in Korea's tariff and is subject to a 5 percent tariff is imposed on the CIF value. For information visit:

http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Republic_of_Korea_FTA/Final_Text/asset_upload_file786_12756.pdf

Korean importers must register the ingredients listed below in the proper format to Provincial Government or City Government offices in order to sell pet food in Korea. To register, "Appendix Form 5" of the application for registration of feed ingredients must be submitted. Item 14 of "Appendix Form 5" requires a listing of ingredients in decreasing order of predominance by weight in the final product.

1. Crude protein
2. Crude fat
3. Crude ash
4. Crude fiber
5. Calcium
6. Phosphorus

"Appendix Table 4" must also be submitted. Item 3 of "Appendix Table 4" requires a listing of the "volume of registered ingredients", including the minimum or maximum percentages of each ingredient as exemplified below.

In addition, the importer must register the ingredient information for Korean language labeling requirements.

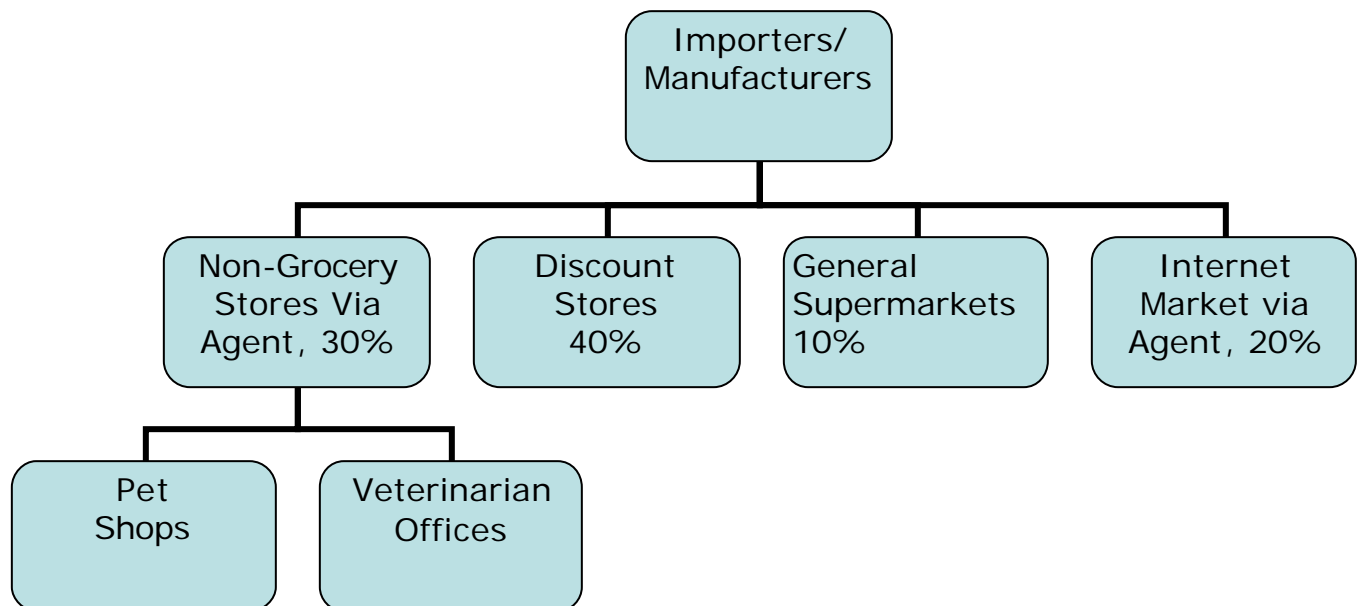
- a. Product registered number
- b. Product name
- c. Product type
- d. Volume of registered ingredients
 1. Crude protein, (40% or more)
 2. Crude fat, (20% or more)
 3. Crude ash, (15% or less)
 4. Crude fiber, (10% or more)
 5. Calcium, (10% or more)
 6. Phosphorus, (5% or less)
- e. Manufactured date
- f. Expiration date
- g. Importer's name
- h. Manufacturer's name
- i. Names of feeds and or grains used
- j. Country of origin
- k. Details if medicine is used
- l. Usage of feed
- m. Net weight (Kilo grams or metric tons)
- n. Describe if repackaged locally
- o. Warning clause, if any

Exporters must also list the names and amounts of any veterinary medicine contained in their product and state the purpose of the medicine. If applicable (above k – details if medicine is used), state the time period the medicine should be withdrawn prior to events

such as pregnancy, slaughter, etc. Such information must be in red letters or otherwise prominently displayed on the package label.

5. Distribution Channel

Importers and manufacturers distribute pet foods to discount stores including grocery stores (40 percent), general supermarkets (10 percent) and internet market (20 percent) and small pet shops/vet clinics (30%).



6. Prices

Wet pet food continues to be popular among owners who are not sensitive to price and who are relatively brand conscious. Pet owners are concerned mainly with the quality of the pet food, so effective information at the point of sale favorably affects purchase decisions. Discount stores carry only a few brands at bulk quantities, but at much lower prices, and medium and small sizes grocery stores carry a larger variety at slightly higher prices. The internet offers very competitive prices, however there is some skepticism of this popular method. Veterinarian clinics and pet shops carry a variety of brands and sizes at higher prices.

7. Information on Pet Shows in Korea

- a. Korea Pet Expo 2008 (KOPET 2008) be held April 25-27, 2008 at aT Center in Seoul, organized by Korea Pet Products Manufacturers Association (KPPMA), and supported by the Ministry for Food, Agriculture, Forestry and Fisheries (MIFAFF), Korea Veterinarian Association, Korea Animal Hospital Association, Korea Pet Dog Association, Korea Aquarium Promotion Association. This show attests to the growing affluence of Korean consumers as their interest in

owning pets continues to grow. Detailed information on KOPET 2008 can be found on the web site: www.kopet.kr.

8. Post Contact and Further Information

For further information contact:
Agricultural Trade Office, American Embassy
Unit #15550, APO AP 96205-5550
Tel. No.: 82-2-397-4188, Fax No.: 82-2-720-7921
E-mail: ATOSeoul@fas.usda.gov Internet: www.atoseoul.com