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## Korea, Republic of

### Product Brief

### Korean Pet Food Update

### 2003

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**Report Highlights:**

Korea imported \$36 million worth of pet food in 2002. This is an 80 percent increase compared to the \$20 million imported in 2001. In 2003, it is forecast that imports will reach \$58 million. The Korean pet food market is expected to grow 25 percent annually over the next few years.

While the pet food markets in the U.S. and Europe have remained stagnant, Korea has become one of the fastest-growing markets in the world. Last year, South Korean pet owners spent an estimated \$250 million on pet food, up 30 percent from 2001.

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Seoul ATO [KS2]  
[KS]

## 1. Market Prospects

### Summary

Korea imported \$36 million worth of pet food in 2002. This is an 80 percent increase compared to the \$20 million imported in 2001. In 2003, it is forecast that imports will reach \$58 million. The Korean pet food market is expected to grow 25 percent annually over the next few years.

In 2002, the U.S. had the largest market share (47 percent), amounting to \$16.5 million, followed by Australia (29 percent), Japan (9 percent) and the EU (4 percent).

While pet-food markets in the U.S. and Europe have remained stagnant for years, Korea has become one of the fastest-growing markets in the world. Last year, South Korean pet owners spent an estimated \$250 million on pet food, up 30 percent from 2001. The pet-care industry is not only growing because the number of pet owners are increasing but, as a result of rising incomes, pet owners are more willing to purchase pet food and other pet care related products.

## 2. Market Opportunities and Constraints

### Opportunities

- The hygiene standards, quality and technology of U.S. pet food manufacturers are viewed to be way ahead of competitors. Most Korean pet owners are not very price sensitive when it comes to purchasing pet food.
- Korea has an estimated 2.9 million pets and a \$700 million market, which includes puppy adoption business, breeding, pet food, pet care accessories, vet clinics and grooming services and so on, all in total.
- Despite rising unemployment and an economic slowdown, middle and upper income pet owners want to pamper their pets with gourmet food, fine clothing, comfy beds and cute toys. Vitamins, high-quality pet treats and snack items are also becoming popular.
- The entire product line for super premium pet food and half of the premium pet food products are imported.
- A giant new pet shop "Megapet", is scheduled to open in a satellite city *outside of Seoul* by the end of this year. The 18-story building, which the company claims will be the biggest of its kind in Asia, will offer animal lovers a wide range of one-stop services for their pets, including grooming, veterinary services and even a photographers' studio.
- The trend towards smaller families, an aging society, the declining birth rate and rising incomes are factors which lead to increased pet ownership. In addition, a recent commercial TV program has a cast of pets, which stimulates a rise in pet popularity.

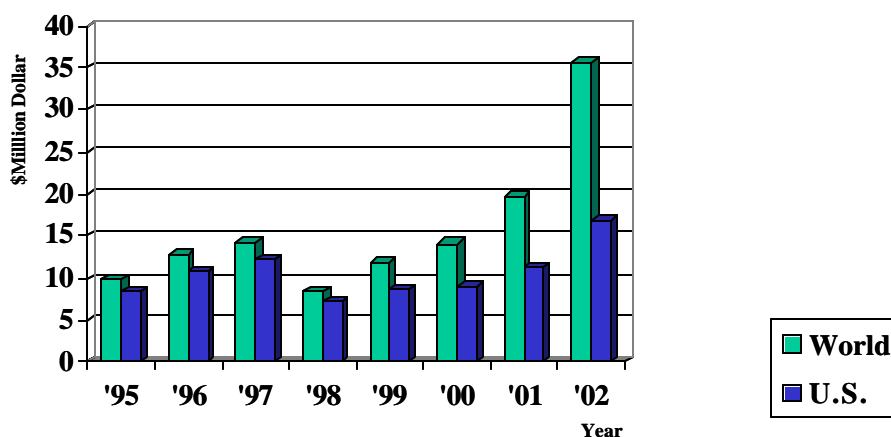
### Constraints

- Korean importers lack knowledge of the variety of U.S. pet food available.

- Competition from Australia will remain strong. Australia is currently the major source of canned food, while the U.S. dominates the dry food market. Japan is the major supplier of pet treats and snacks.
- Korean pet owners lack knowledge of brand names of U.S. pet food.
- U.S. suppliers lack knowledge of the Korean pet food market and its opportunities.

## Pet Food Imports from World vs. U.S.

(Unit: Million Dollars)



### 3. Trends in Consumption

- Local production of pet foods was 90,000 metric tons while total imported pet foods was 28,000 metric tons in 2002. Average annual import growth (by US dollar basis) was 45 percent during the last 5 years, while average annual U.S. import growth was 24 percent on the basis of 2002.
- It is estimated that there are 2.9 million pet dogs in Korea.
- Only about 35 percent of all pet owners in Korea feed their pets commercial pet food wholly. Other pet owners feed commercial food and/or table scraps. As pet owners learn more about the nutritional benefits of commercial pet food, they are increasingly switching.
- Wet pet food business is relatively smaller (less than 10 percent of total in value) yet is getting the share and is still perceived as a supplementary food to dry.
- There are over 2,700 veterinarian clinics in Korea, a 35 percent increase compared to two years ago. Pet beauty parlors where pet food and other pet items are sold are also increasing. Furthermore, there are 1500 pet shops selling pets (most of them are puppies), pet food and other pet items.

- There are about 30 dog cafes, which allow pet owners to bring their pets inside the food service establishment. These cafes also sell pet foods and pet snacks and while pet owners eat meals and drink beverages the pets are allowed to play. Most of the dog cafes are good businesses and gaining popularity among pet owners. The number of such cafes has increased by 400 percent over the last two years. They have been locating nationwide in high-income residential areas for the past three to four years.
- Some “people” hotels and accommodation facilities also offer separate rooms for pets accompanying guests.
- Major U.S. brands in the Korean market include: Purina Pro Plan, Alpo, One, Science Diet, Pedigree, Nutro, Eukanaba.
- Local product brands included Daehan and Jerony.
- Currently, the estimated ratio of dog food to cat food sales is 94:6. Most Koreans prefer dogs to cats. But the number of cats is growing rapidly especially among the younger generation. The food market for all other animals (other than dogs and cats), such as fish, ferrets and birds is growing; but it is still very small compared to dog and cat food.
- It is estimated that imported food has a 30 percent market share by volume and a 50 percent market share by value. Retail prices for imported pet foods are generally higher than those for locally manufactured pet foods.

#### 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” and a 5 percent tariff is imposed on the CIF value. 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 ingredient information is registered to be in Korean per language labeling requirements.

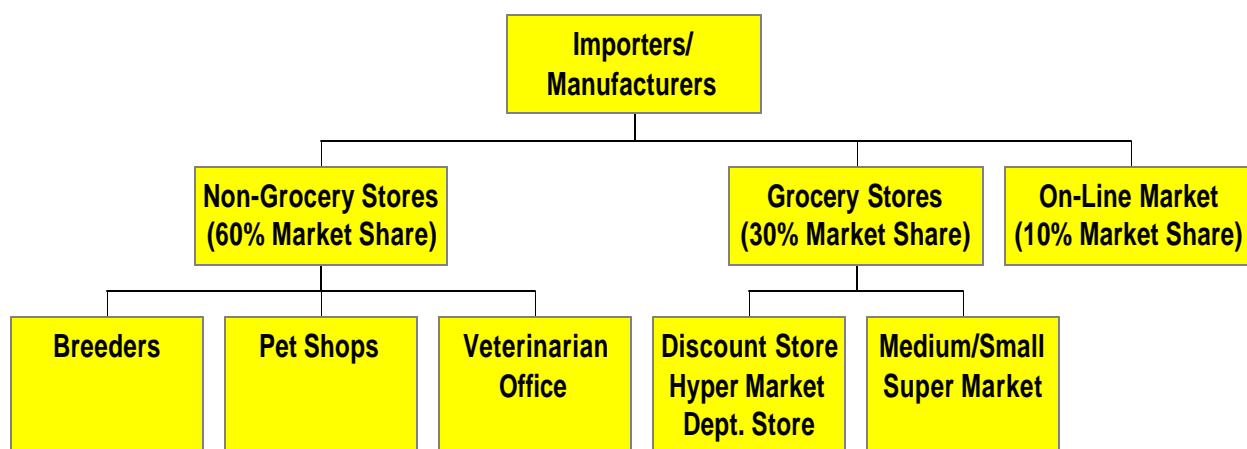
- a. Product registered number
- b. Product name

- 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 non-grocery stores (60 percent), grocery stores (30 percent) and on-line market (10 percent). Non-grocery stores include breeders, pet shops and veterinarian office. Grocery stores include discount stores, hyper market, department stores and medium and small size super market stores.



## 6. Prices

Pet owners are not very price sensitive and are extremely 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 and bulk pet food but at much lower prices, and medium and small sizes grocery stores carry a larger variety at medium prices. These grocery stores account for 30 percent of the market share in value. Veterinarian clinics and pet shops carry a variety of brands and sizes at higher prices. These non-grocery stores account for 60 percent of the market share. On-line sales accounts for the remainder which is less than 10 percent.

## 7. Information on Pet Shows in Korea

- a. The 5<sup>th</sup> Korea International Pet (KOPET) Show 2003 will be held September 19-21, 2003 at the Seoul Trade Exhibition Centre (SETEC), organized by Korea Industrial Marketing Institute, the Korea Kennel Club, and 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 the Show 2003 can be found on the KoPet web site: [www.kopet.com](http://www.kopet.com).
- b. Pet Food Catalogue Show: The Agricultural Trade Office will organize a Pet Food Catalog Show at the 6<sup>th</sup> Korea International Pet Show (KpPet) scheduled for September 19-21, 2004. For each participating company, information describing the company, the variety of products available and other related facts will be included in a brochure and distributed to the Show visitors. Interested companies can also send their product brochures and/or sample items for display during the Show. This Catalog Show is being developed to showcase the products of small and medium sized U.S. pet food companies. It is expected that a large number of importers and consumers will become more aware of US pet food products including snacks.

## 8. Post Contact and Further Information

For further information contact:  
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