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Report Highlights:

The United States is the leading supplier of imported consumer-oriented agricultural products to the Korean retail industry, shipping a record $5.4 billion in 2020. The outlook for U.S. products in the Korean retail industry is excellent for a wide range of products, including beef, pork, processed meat, seafood, vegetables, fruits, nuts, dairy products, juices and soft drinks, alcoholic beverages, condiments and sauces, processed organic foods, coffee, bakery products, snacks and confectioneries.

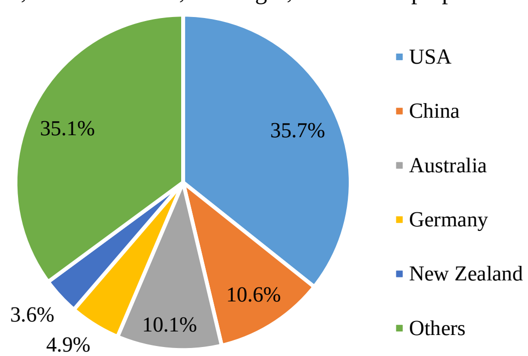
Market Fact Sheet: Korea- Republic of

Executive Summary

South Korea has the 10th largest economy in the world with a GDP of $1.6 trillion and a per capita GNI of $31,755 in 2020. It is about the size of Indiana and has a population of 52 million. Over 90 percent of Koreans live in urban areas. Domestic production meets only 45 percent of food demand. The United States exported $8.8 billion in agricultural products to Korea in 2020, making it our fifth largest export market. The U.S. supplies a quarter of Korea's agricultural imports.

Imports of Consumer-Oriented Products

Korea imported $14.8 billion in consumer-oriented products in 2020, accounting for 41 percent of agricultural imports. There are still many opportunities for U.S. export growth in this segment, including for beef, pork, fruits, tree nuts, dairy products, confectioneries, beverages, and further prepared foods.



Food Processing Industry

Korea had over 30,000 food processing companies as of 2019, generating $56.1 billion in sales. Korean food processing companies rely heavily on imported commodities and ingredients. Imports of basic and intermediate agricultural products totaled $13.4 billion in 2020. Twenty three percent ($3.1 billion) of these imports came from the United States.

Food Retail Industry

Korean retail food sales totaled $103 billion in 2020, accounting for 29 percent of total retail sales. Grocery supermarkets are the leading food retail channel, followed by on-line retailers, hypermarket discount stores, convenience stores, and department stores. On-line retailers and convenience stores are expected to grow faster than other channels over the next 5-10 years. The fast expansion of on-line retailers is forcing conventional retailers to restructure space and devise new strategies to attract consumer traffic.

Quick Facts CY 2020

Imports of Ag. Products from the World

- Basic Products — US$5.3 billion
- Intermediate Products — US$8.1 billion
- Consumer-Oriented Products — US$14.8 billion
- Forest Products — US$2.7 billion
- Seafood Products — US$5.3 billion
- Total — US$36.1 billion

Top 10 Consumer-Oriented Ag. Imports from the World

1)	Beef	$2.9 B	6)	Alcoholic Bev	$780 M
2)	Pork	$1.4 B	7)	Coffee	$738 M
3)	Frozen Fish	$1.2 B	8)	Bakeries	$348 M
4)	Fresh Fruit	$1.2 B	9)	Tree Nuts	$338 M
5)	Dairy	$1.1 B	10)	Confectionery	$328 M

Top 10 Growth Consumer-Oriented Ag. Imports

Animal offal, mineral water, food preparations not-elsewhere-specified, butter, vinegar, grapes, poultry meat, beef, roasted prepared foods, melons & papayas

Food Industry by Channels

- Retail Food Industry — US$102.9 billion
- HRI Foodservice Industry — US$121.3 billion
- Food Processing Industry — US$56.1 billion
- Food & Agricultural Exports — US$7.0 billion

Top Korean Retailers

EMART, LOTTE Mart, HOME PLUS, COSTCO, GS Retail (GS Super, GS25), BGF Retail (CU), Korea Seven, E Land Retail, Lotte Department Store, Shinsegae Department Store, Hyundai Department Store, Hanwha Galleria, Coupang, SK Planet, Ebay Korea, CJ O Shopping, GS Home Shopping

GDP/Population

Population: 52 million
GDP: US$ 1.6 trillion
GDP per capita: US$ 31,755

Strengths/Weaknesses/Opportunities/Challenges

Strengths	*Weaknesses*
- Well established market with modern distribution channels - Consumer income level continues to increase	- High logistics cost to ship American products - Consumers have limited understanding of American products
Opportunities	***Challenges***
- Strong consumer demand for value, quality, and diversity - KORUS FTA reduces tariff barriers for American products	- Elevated competition from export-oriented competitors - Discrepancies in food safety and labeling regulations

Data and Information Sources: Korea Ministry of Food & Drug Safety, Korea National Statistics Office, Korea Int'l Trade Association, Global Trade Atlas, CIA Factbook. To the greatest extent possible, the latest available statistics are used in this publication.

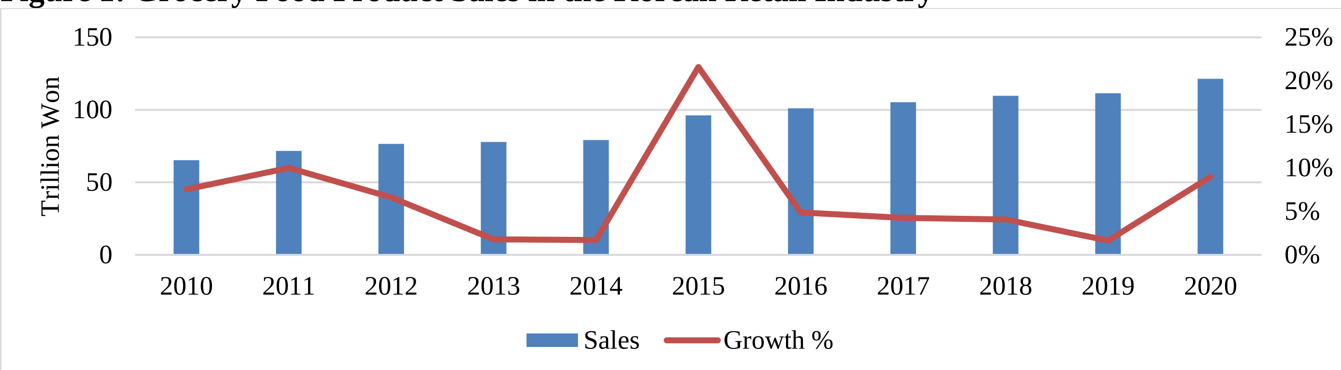
Contact: U.S. Agricultural Trade Office (ATO) Seoul
E-mail: atoseoul@fas.usda.gov

SECTION I. MARKET SUMMARY

The South Korean retail industry has continued to exhibit strong growth over the last three decades, driven by expansion of the Korean economy and evolvement of consumer taste.[1] Elevated consumer demand for quality, value and diversity has led to rapid growth in modern, large-scale retailers, including hypermarkets, supermarkets, convenience stores, and on-line retailers, at the expense of traditional street markets and small independent grocers.

Per capita Korean family grocery purchases grew 15 percent in 2020, reaching 165,000 won ($140) per month.[2] Korean families increased spending on groceries during the COVID-19 pandemic as they ate more meals at home. In contrast, per capita Korean family spending on dining out declined 7 percent in 2020 to 129,000 won ($109) per month. As a result, retail grocery sales grew 9 percent in 2020, reaching a record 121 trillion won ($103 billion).

Figure 1: Grocery Food Product Sales in the Korean Retail Industry[3]



Source: Retail Industry Statistics, Korea National Statistics Office (NSO, http://kosis.kr).

Korean imports of consumer-oriented agricultural products reached a record $14.8 billion in 2020, accounting for 41 percent of all Korean agricultural imports. Most imported consumer-oriented agricultural products are distributed through the grocery retail sector. Over one third ($5.4 billion) of consumer-oriented agricultural imports came from the United States.

Korean consumers generally recognize the United States as a trusted origin for quality food. The Korea-United States Free Trade Agreement (KORUS FTA) reduced tariffs and market access barriers for U.S. products. The outlook for U.S. products in the Korean retail industry is excellent for a wide range of products, including beef, pork, processed meat, seafood, vegetables, fruits, nuts, dairy products, juices and soft drinks, alcoholic beverages, condiments and sauces, processed organic foods, coffee, bakery products, snacks and confectioneries.

The COVID-19 pandemic was relatively well-managed in Korea. The government hopes to vaccinate most of the population by the end of 2021. Food sector businesses are expected to invest in offering and promoting new products in the coming months as the pandemic recedes. This should generate new opportunities for U.S. suppliers.

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[1] Korean government deregulations in the early 1990's allowed the entry of large-scale businesses into the retail industry.
[2] $1 = 1,180 won (2020 average)
[3] NSO introduced a new survey method in 2015, so the sharp growth in 2015 should be interpreted with a caution.

Table 1: Advantages and Challenges in the Korean Retail Industry

Advantages	Challenges
Korea is a fast-paced market where new ideas and trends are eagerly tried and accepted. Rising incomes are creating demand for diverse and high quality food.	Many Korean consumers are biased toward locally produced agricultural products, believing they are better and safer than imported products.
Korea depends heavily on food and agricultural imports. Consumers closely follow international food and consumption trends.	Imports are subject to strict food safety regulations. Korean food safety standards change frequently and with short notice.
Modern large-scale retailers provide a more efficient marketing environment for imported products.	The supply chain for imported products includes multiple layers of intermediary distributors and agents, which adds cost and inefficiency.
Korean consumers are very concerned about food safety. Many consumers recognize the United States as a trusted origin for quality agricultural products.	U.S. products face strong competition from other exporting countries. The recent economic slowdown has made consumers more price sensitive, favoring low price competitors.

II. ROAD MAP FOR MARKET ENTRY

II-1. ENTRY STRATEGY

Korean retailers in general rely heavily on independent importers or intermediary distributors (trade agents or wholesalers) for imported food products. While leading retail companies are trying to expand direct imports from foreign suppliers to lower costs, they are mostly focused on a limited number of high-volume products such as fresh fruit, beef, and seafood. Many foreign suppliers find it easier to work with intermediary import distributors in Korea to have their products marketed to multiple retailers instead of selling directly to one retailer exclusively.

For assistance in reaching out to established Korean import distributors and retail buyers, please contact the United States Agricultural Trade Office (ATO) Seoul. ATO Seoul offers various marketing tools and trade facilitation help to U.S. suppliers. ATO Seoul also offers information about the Korea market on its website (www.atoseoul.com), including:

- Annual reports and periodic briefs on key products and industries
- Korean agricultural import data by 4-digit HS product classification (monthly spreadsheets)
- Local media food news clippings
- Contact information of industry organizations

Suppliers should also make sure that their products meet Korean food regulations and standards. For assistance in identifying or resolving regulatory issues, please contact the Office of Agricultural Affairs (OAA) Seoul (contact information is shown at the end of this report).

II-2. MARKET STRUCTURE

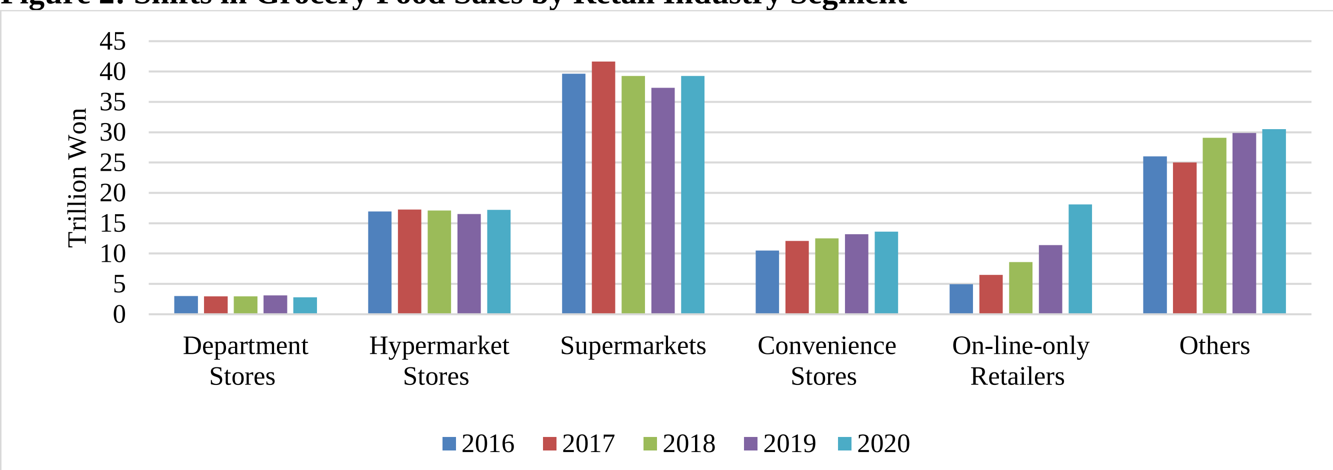
Grocery food products accounted for 29.1 percent of overall Korean retail industry sales (excluding automobiles) in 2020, the highest level in years. The dramatic shift in family spending during the COVID-19 pandemic favored spending on essential items such as groceries. Grocery supermarkets were the leading retail channel for groceries in the industry, generating 39.3 trillion won in food sales in 2020, followed by on-line-only retailers (18 trillion won), hypermarkets (17 trillion won), and convenience stores (14 trillion won).

Table 2: Sales of Grocery Food by Retail Industry Segment (2020)

Segment	Total Sales	Share of Food Products in Total Sales (Estimates)[4]	Food Sales (Estimates)
Grocery Supermarkets	46.5 trillion won	84.5%	39.3 trillion won
On-line-only Retailers[5]	115.9 trillion won	15.6%	18.1 trillion won
Hypermarkets	33.8 trillion won	51.0%	17.2 trillion won
Convenience Stores	26.5 trillion won	51.4%	13.6 trillion won
Department Stores	27.4 trillion won	10.1%	2.8 trillion won
Others	166.7 trillion won	18.3%	30.5 trillion won
	Total		121.4 trillion won

Source: Korea National Statistics Office (NSO, http://kosis.kr) – 'Retail Industry Statistics', 'Service Industry Statistics', 'On-line Retail Industry Statistics'

Figure 2: Shifts in Grocery Food Sales by Retail Industry Segment



Source: Korea National Statistics Office (NSO, http://kosis.kr) – 'Retail Industry Statistics', 'Service Industry Statistics', 'On-line Retail Industry Statistics'

On-line-only retailers saw the most growth (58 percent) in its grocery food sales in 2020 as consumers quickly switched to on-line, non-contact shopping tools during the pandemic. Supermarkets,

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[4] Food share estimates are based on IR reports of some of the leading companies. The figure for on-line-only retailers is from NSO 'On-line Retail Industry Statistics'.

[5] Conventional retailers that also operate on-line shopping tools are not included.

hypermarkets and convenience stores also saw solid growth in grocery food sales, partly by offering more home-meal-replacement products and easy-to-cook, portion-packed meal-kits. They also offered improved on-line shopping tools. On the other hand, department stores saw a sharp decline in grocery food sales due to reduced consumer traffic and escalated competition from on-line retailers.

The COVID-19 pandemic will likely expedite the Korean retail industry's shift towards on-line shopping. For example, Lotte Shopping Co., a leading player in the industry, announced in 2020 a major restructuring plan to close 200 (28 percent) of its existing supermarkets and hypermarket stores within the next five years to focus more of its resources on on-line shopping.

Table 3: Top Host Country Retailers (2020)

Segment	Company / Brand	Store #	Website
Grocery Supermarkets	Nongchukhyup / Hanaro Mart	2,153	nhhanaro.co.kr
	Lotte Shopping Co. / Lotte Super	453	lottesuper.co.kr
	GS Retail Co. / GS Supermarket	322	gssuper.com
	Homepuls Co. / Home Plus Express	342	homeplus.co.kr
	EMART, Inc. / EMART Everyday	240	emarteveryday.co.kr
	EMART, Inc / No Brand	270	emart.com
Hypermarkets	EMART, Inc. / EMART, Traders	161	emart.com
	Homeplus Co. / Home Plus	140	homeplus.co.kr
	Lotte Shopping Co. / Lotte Mart	113	lottemart.co.kr
	COSTCO Wholesale / COSTCO	16	costco.co.kr
Convenience Stores	BGF Korea Co. / CU	14,923	bgfcu.com
	GS Retail Co. / GS25	14,688	gs25.gsretail.com
	Korea Seven Co. / Seven Eleven	10,501	7-eleven.co.kr
	EMART, Inc. / EMART24	4,488	emart24.co.kr
	Ministop Korea Co. / Ministop	2,607	ministop.co.kr
On-line-only Retailers	Coupang Co.	NA	coupang.com
	SK Planet Co.		11st.com
	Naver Co.		naver.com
	CJ O Shopping Co.		cjmall.com
	GS Home Shopping Co.		gseshop.co.kr
	Hyundai Home Shopping Network Corp.		hmall.com
	Woori Home Shopping Co.		lotteimall.com
	Ebay Korea, Inc.		gmarket.co.kr
	NS Shopping Co.		nseshop.com
	Interpark Co.		interpark.com
	Kurly Corp.		kurly.com
Department Stores	Lotte Shopping Co. / Lotte Dept. Store	51	lotteshopping.com
	Shinsegae Co. / Shinsegae Dept. Store	12	shinsegae.com
	E Land Retail Co. / NewCore, NC Dept.	34	elandretail.com
	Hyundai Dept. Co. / Hyundai Dept. Store	16	ehyundai.com
	Hanwha Galleria / Galleria Dept. Store	6	dept.galleria.co.kr
Organic Grocery Stores	ORGA Whole Foods	79	orga.co.kr
	Chorocmaeul	400	choroc.com
Health & Beauty Stores	Lotte Shopping Co./LOHB's	101	lohbs.co.kr
	CJ Olive Networks Co./Olive Young	1,259	oliveyoung.co.kr
	GS Retail Co./Lalabla	98	lalavla.gsretail.com

Source: Company IR reports, company internet homepages, media news articles.

III. COMPETITION

ATO Seoul's website provides up-to-date information about Korea's food and agricultural imports:

- Korea's Agricultural Import Statistics: monthly updates on Korean agricultural imports (four-digit HS product code level). Both U.S. export data (FOB value) and Korean import data (CIF value) are provided.
- Korea's Agricultural Import Trends Presentation: quarterly summary of competition between the U.S. and competitors in key products.

Table 4: Top Korean Imports of Consumer-Oriented Products and Competition

Product Category/HS Code	Gross Imports 2020 ($ million)	1st Supplier (M/S)	2nd Supplier (M/S)	U.S. Ranking
Food Preparations NESOI[6]/HS2106	1,112	U.S. (57%)	Germany (6%)	1 (57%)
Beef, Frozen/HS0202	1,110	U.S. (58%)	Australia (35%)	1 (58%)
Pork, Fresh, Chilled or Frozen/HS0203	428	U.S. (31%)	Spain (14%)	1 (31%)
Fish, Frozen (Not Fillets)/HS0303	92	Russia (33%)	China (20%)	5 (8%)
Crustaceans/HS0306	14	Russia (35%)	Vietnam (19%)	12 (1%)
Beef, Fresh or Chilled/HS0201	622	U.S. (64%)	Australia (36%)	1 (64%)
Mollusks/HS0307	9	China (44%)	Vietnam (23%)	7 (1%)
Coffee/HS0901	100	Columbia (14%)	U.S. (14%)	2 (14%)
Cheese and Curd/HS0406	259	U.S. (41%)	N.Z. (16%)	1 (41%)
Fish Fillets, Fresh/Chilled/Frozen/HS0304	89	Vietnam (17%)	U.S. (15%)	2 (15%)
Prepared/Preserved Crustaceans/HS1605	2	Vietnam (25%)	China (22%)	27 (0%)
Other Preserved Fruits & Nuts/HS2008	57	China (29%)	Vietnam (17%)	3 (16%)
Bread, Pastry, Cakes/HS1905	57	Malaysia (18%)	U.S. (16%)	2 (16%)
Wine/HS2204	56	France (28%)	Chile (18%)	3 (17%)
Chocolate & Food Preparations/HS1806	81	U.S. (25%)	Italy (9%)	1 (25%)
Other Nuts/HS0802	270	U.S. (92%)	Australia (5%)	1 (92%)
Bananas/HS0803	0	Philippines (75%)	Columbia (8%)	11 (0%)
Poultry Meat & Offals/HS0207	4	Brazil (80%)	Thailand (9%)	5 (1%)
Sauces & Preparations/HS2103	38	China (38%)	Japan (20%)	3 (15%)
Citrus Fruit, Fresh/Dried/HS0805	221	U.S. (87%)	S. Africa (3%)	1 (87%)
Fish, Fresh/Chilled (Not Fillets)/HS0302	0	Norway (90%)	Japan (5%)	19 (0%)
Edible Offals/HS0206	93	Australia (47%)	U.S. (38%)	2 (38%)
Fruit Juices/HS2009	53	U.S. (22%)	Spain (21%)	1 (22%)
Beer/HS2203	35	Netherlands (18%)	U.S. (15%)	2 (15%)
Sugar Confectionery/HS1704	19	Germany (26%)	China (20%)	3 (9%)

Source: Korean government import data (KOTIS) released by Korea Int'l Trade Association (www.kita.net). CIF value.

[6] NESOI: Not Elsewhere Specified or Included

Table 5: Fastest Growing Korean Imports of Consumer-Oriented Products[7]

Product Category/HS Code	Gross Imports 2020 ($ million)	Growth from 2019	Imports from U.S. ($ million)	U.S. Growth
Vinegar/HS2209	13	50%	3	95%
Cabbage, Cauliflower, Etc./HS0704	24	43%	0	12%
Onions, Shallots, Garlic, Leeks/HS0703	18	28%	0	n/a
Wine/HS2204	330	27%	56	65%
Natural Honey/HS0409	12	23%	5	37%
Peas & Beans, Dried/HS0713	64	21%	6	2%
Lettuce, Fresh/Chilled/HS0705	16	20%	5	34%
Dried Pepper/HS0904	41	19%	1	56%
Ice Cream & Other Edible Ice/HS2105	45	19%	15	82%
Olive Oil/HS1509	79	18%	1	54%
Prepared Foods - Roasted/HS1904	46	18%	14	33%
Other Fruit, Fresh/HS0810	178	18%	34	5%
Processed Meat (Dried, Meals)/HS0210	18	17%	11	-1%
Cider, Perry, Mead/HS2206	33	14%	2	-10%
Cheese and Curd/HS0406	629	13%	259	3%
Beef, Fresh or Chilled/HS0201	979	13%	622	15%
Jams, Jellies, Marmalades/HS2007	28	12%	4	-3%
Coffee/HS0901	738	12%	100	3%
Food Preparations NESOI/HS2106	1,960	12%	1,112	9%
Vegetables/Fruits/Nuts in Vinegar/HS2001	35	7%	2	9%

Source: Korean government import data (KOTIS) released by Korea Int'l Trade Association (www.kita.net). CIF value.

IV. KEY FAS/USDA CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office Seoul (ATO)
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E-mail: atoseoul@fas.usda.gov Internet homepage: www.atoseoul.com

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[7] Listing is limited to top 20 growth products that Korean imports were $10 million or larger.

USDA Cooperators, SRTG, State Offices and AMCHAM in Korea
USDA Cooperators in Korea
U.S. State Regional Trade Groups (SRTG)
U.S. State Offices in Korea
American Chamber of Commerce (AMCHAM)

Host Country Government
Ministry of Agriculture, Food and Rural Affairs (MAFRA)
Ministry of Food and Drug Safety (MFDS)
Ministry of Trade, Industry and Energy (MOTIE)
Ministry of Foreign Affairs (MOFA)

Attachments:

No Attachments