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GAIN Report

Global Agricultural Information Network

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Cabbage Market Trends

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Agricultural Situation

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Report Highlights:

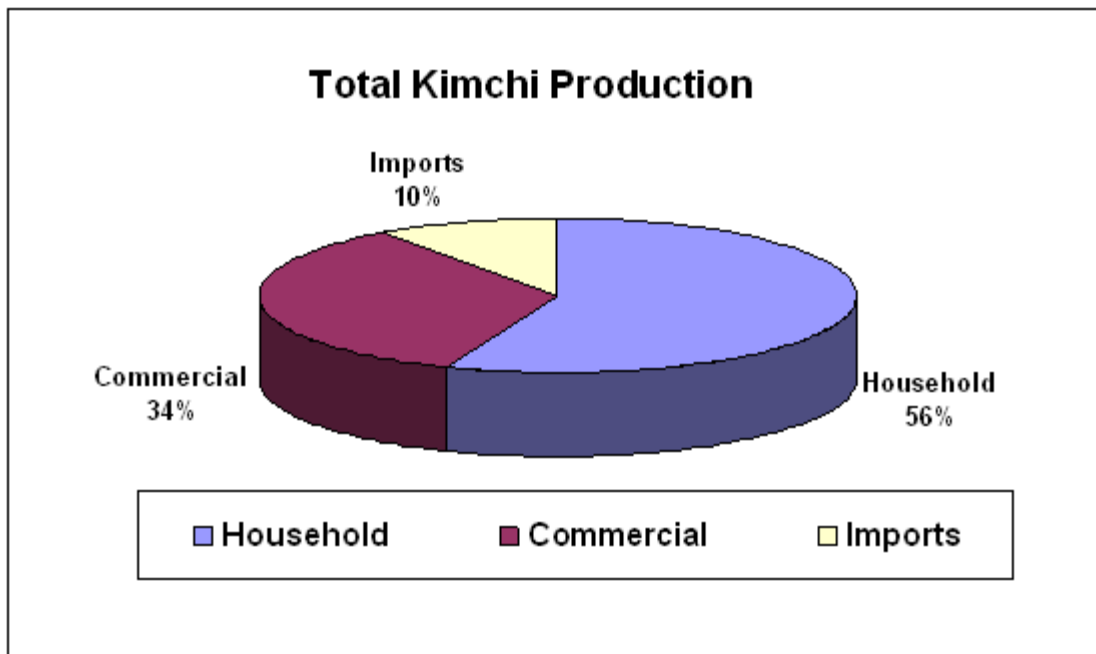
In early October, responding to rising cabbage prices, the Korean Government temporarily reduced the tariff on imported Napa cabbage to zero. The actions the government implemented, along with the start of the harvest of the main cabbage crop have helped stabilize the price of cabbage for kimchi as of the beginning of November. However, estimated cabbage production in 2010 of 1.5 million MT will be down 40 percent from 2009 crop of 2.5 million

General Information:

Background

Kimchi (cabbage fermented in garlic, chilies and vinegar) is South Korea's national dish. In addition, Kimchi is the country's most important processed food product and is an essential staple side dish, eaten at most mealtimes in South Korea. However, recent higher cabbage prices made South Korea's staple increasingly expensive. Napa cabbage with light-green colored soft leaves and compact structures, is a required ingredient for kimchi processing. An unusually wet September sent the price of Chinese (Napa) cabbage soaring and raised the possibility that Koreans might have to look elsewhere to get kimchi's basic ingredient.

90 per cent of domestic Chinese cabbage production is earmarked for kimchi processing. In total, private households and small-scale users are responsible for 56 percent of total kimchi production, while restaurants and other commercial entities generate roughly 34 percent and imports constitute the remaining 10 percent.



For most Korean families, kimchi-making takes place at the beginning of winter for consumption throughout the coming winter and spring and requires a group effort for a few days. Often, making kimchi requires expensive ingredients. According to a recent survey conducted by Lotte Mart, Korea's second largest supermarket the price for making kimchi in 2010 will cost roughly 30 percent more than

in 2009. The survey based on a family of 4 that uses 20 heads of cabbage, estimates that the total cost would reach 187,810 Korean Won/\$168.74. Particularly, the price for 20 cabbages is predicted to be 37,000 Korean Won/\$33.24 - compared to 29,600 Korean won/\$26.59 in 2009. The price for 10 radishes would be 11,060 Korean won/\$9.94 – compared to 8,960 Korean Won/\$8.05 in 2009. The total cost is based on price estimates for 12 ingredients, including Napa cabbage that goes into making kimchi. Despite the projected 2010 price spike for making kimchi, homemade kimchi is still cheaper than commercially made kimchi that is sold in grocery stores. The 2010 retail price for commercially made kimchi is projected to be somewhere around 210,000~250,000 Korean Won/\$188.68-\$224.61 for the same amount of homemade kimchi.

Thus, it is common for companies to provide an annual “kimchi bonus” to their employees enabling them to buy all the necessary ingredients for making kimchi. In the past, processing kimchi in late October was vital because pickled cabbage in huge clay pots had to be buried in the cold earth to hasten fermentation. These days, modern refrigeration technology has produced the kimchi refrigerator. The latter is a separate refrigerator with special temperature controls to store kimchi because its sharp odor is known to taint the flavor of other foods being stored near it. A kimchi refrigerator has become a basic necessary household appliance in Korea. . Like the kimchi refrigerator, another growing trend is that many Korean consumers purchase their kimich at supermarkets year-round.

Prices

In early October, the price of Napa cabbage in Seoul was \$10.20 per head, more than double the previous week’s price and more than six times last year’s rate. The surge in cabbage prices prompted a relatively high Consumer Price Index (CPI) for September. The CPI in September rose 3.6 percent from a year earlier. Additionally, the CPI went up 1.1. percent from August, the largest monthly increase in over eight years. Significantly, fresh produce prices, which rose 45.5 percent year-on-year, were primarily responsible for the increase. Over the last four weeks, prices have dropped as the main harvest has begun. In Seoul, one head of cabbage now sells for \$1.80 at the beginning of November.

Government Intervention

The government, the Ministry of Food, Agriculture, Fisheries and Forestry (MIFAFF), and the Ministry of Finance made moves to increase the supply of cabbage by importing cabbage from China. In response to the rising cabbage prices, the Ministry of Finance with guidance and advice from MIFAFF on October 1 temporarily reduced the tariff on imported Napa cabbage from 27 percent to zero. Additionally, MIFAFF also brought down to zero the 30 percent tariff on radish. The government’s state trading arm, the Korean Agro-Fishery Corporation (aT) manages the purchase and sale of imported cabbage. According to MIFAFF the tariff reduction applies to all imported Napa cabbage.

HS Classification Number	Description	Current Duty
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0704.90.2000	Chinese cabbage, fresh or chilled	27 percent
0706.90.1000	Radishes, fresh or chilled	30 percent

The Korean Government agreed to import 160 metric tons from China. They recognized this amount possessed little overall influence on the shortage. However, the government viewed this initial amount as a cautionary run through. MIFAFF was concerned with a potential consumer backlash that may result from importing a large quantity of cabbage from China. Since the Chinese Melamine fiasco, Korean consumers have expressed concerns over the safety of Chinese food imports.

Production

According to MIFAFF, on average Korean farmers produce 2.5 million MT of Napa cabbage annually. A record-breaking wet summer destroyed many cabbage crops this year. 2010 cabbage production is forecast to decrease to 1.5 million MT. The examination of 5 years production data reveals a dramatic increase in cabbage production from 2005 to 2006. In 2006, cabbage production was 2.75 million MT which was an 18 percent increase from the previous year partly due to a major swing in cabbage acreage up to 42,000 hectares from 37,200 hectares. However, an upward production trend was not maintained from 2006 to 2007. In 2007, production decreased to 2.2 million MT down 19 percent from the previous year. In 2008, cabbage production increased by 17 percent to 2.6 million MT. More recently, production remained fairly stable averaging 2.6 million MT between 2008 and 2009.

Korea: Domestic Production of Fresh Chinese Cabbage and Radish

Year	Chinese cabbage		Radish	
	Cultivated Area	Production	Cultivated Area	Production
Hectare and metric ton				
2005	37,203	2,325,330	27,130	1,277,483
2006	42,035	2,749,399	30,497	1,494,839
2007	34,265	2,217,149	25,835	1,194,327
2008	37,285	2,584,908	27,308	1,402,187
2009	34,321	2,542,000	23,780	1,223,000
2010	N/A	1,500,000 est	N/A	N/A

Source: Ministry for Food, Agriculture, Forestry & Fisheries, Korea Rural Economic Institute

Consumption

Nearly all cabbage in Korea is consumed as kimchi; therefore, kimchi consumption basically tracks cabbage consumption. The per capita consumption of cabbage and cabbage kimchi has shown only slight variation over the past five years; the increase in per capita cabbage kimchi was especially rapid from 2005 to 2006. In 2005, the per capita cabbage kimchi consumption was 19.5 kg. In 2006, per capita consumption of cabbage kimchi increased by 24 percent to 24.1 kg. The consumption of cabbage kimchi decreased in 2007 to 20.4 kg due to the reduction of output. The intake of cabbage kimchi showed marked increase from 2007 to 2008 reaching 23.8 kg. However, in 2009 the per capita consumption of cabbage kimchi showed the smallest yearly decrease over the past five years, holding at

22.3 kg.

Korea: Per capita consumption of Chinese cabbage and radish (Kilogram/person)

Year	Chinese cabbage	Radish
2005	52.2	28.4
2006	62.5	29.6
2007	54.8	24.1
2008	63.1	29.5
2009	56.5	25.1
2010	57.9	22.9

Source: Korea Rural Economic Institute

Note: 2010 data is what was forecasted in early 2010 during the Annual Agricultural Outlook Symposium

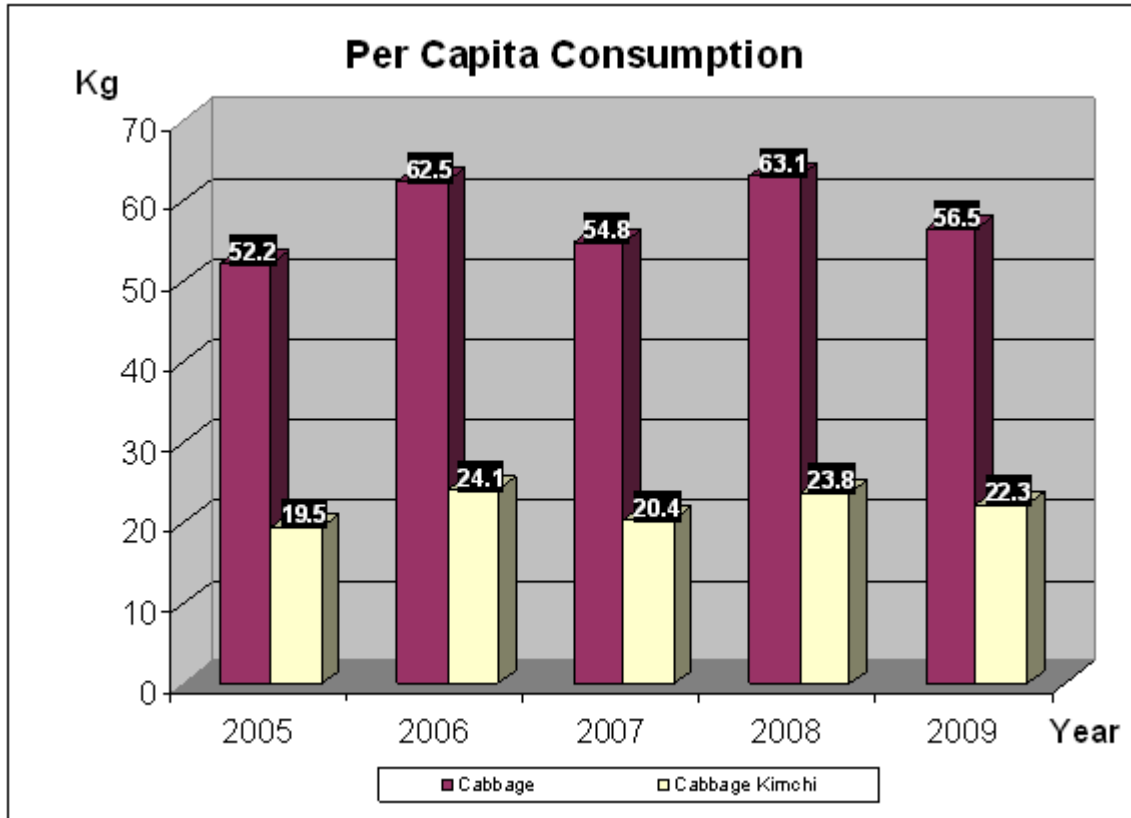
Korea: Consumption of Chinese cabbage and Chinese cabbage kimchi

Year	Population	Cabbage consumption		Cabbage Kimchi consumption	
		Per capita	Total	Per capita	Total
		Kg.	MT	Kg.	MT
2005	48,138,000	52.2	2,512,804	19.5	938,691
2006	48,297,000	62.5	3,018,563	24.1	1,163,958
2007	48,456,000	54.8	2,655,389	20.4	988,502
2008	48,607,000	63.1	3,067,102	23.8	1,156,847
2009	48,747,000	56.5	2,754,206	22.3	1,087,058

Source: KREI

Note: The cabbage consumption data includes consumption of imported cabbage and kimchi.

The total consumption is derived by multiplying the population to the per capita consumption.



Trade

In 2005, Korea imported 1,369 MT of cabbage. In the past five years, China, Vietnam and Indonesia have become the principal Chinese cabbage exporters to South Korea. During the first eight months of 2010, South Korea imported 167 MT of cabbage consisting of 84 MT from China and 83 MT from Vietnam. The volume of cabbage imports increased dramatically from 2005 and peaked in 2006, but, since 2008, it has remained mostly flat.

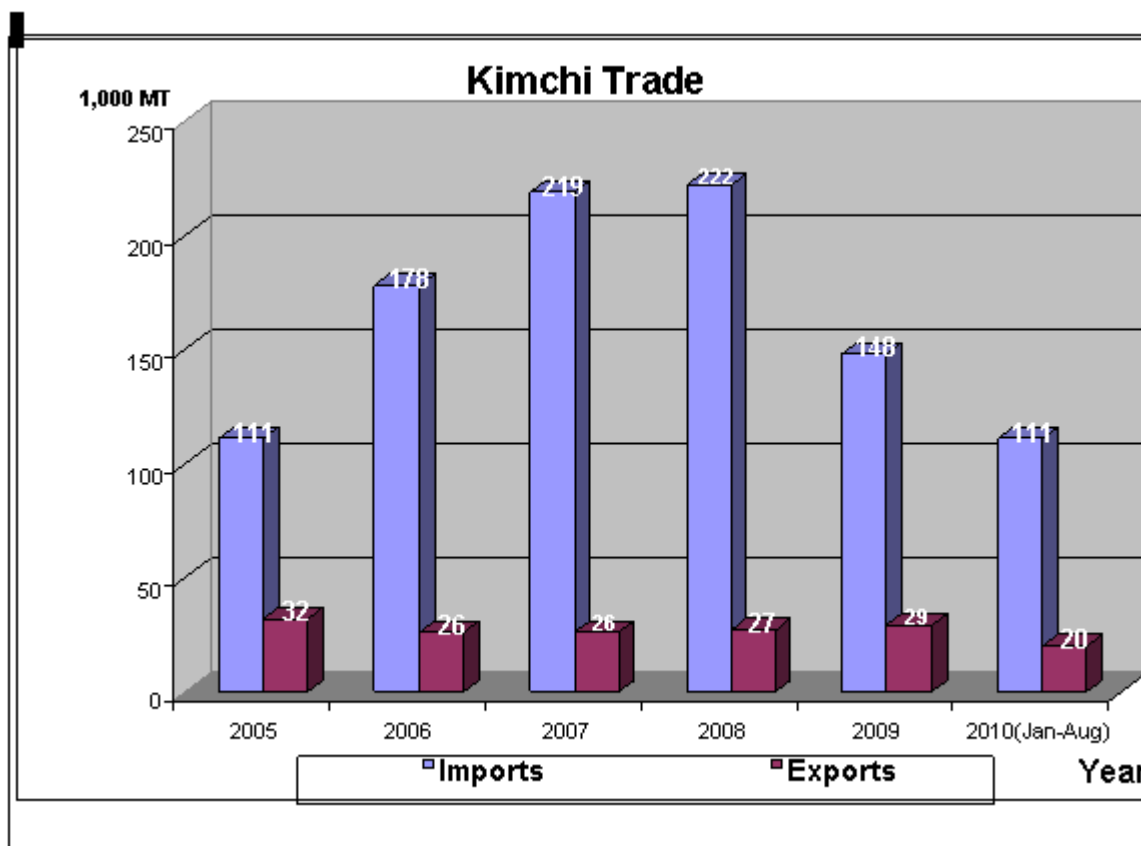
Korea: Import of Fresh Chinese Cabbage and Radish

Year	Chinese cabbage		Radish	
	Value	Volume	Value	Volume
\$000 and Metric Tons				
2005	248	1,369	20	169
2006	908	3,902	75	523
2007	544	2,059	64	266
2008	47	141	850	4,841
2009	23	111	249	1,526
2010 (Jan-Aug)	59	167	48	248

Source: Korea International Trade Association

In addition to Chinese cabbage, Korea also imports processed kimchi from China. Korea roughly

imports 142 MT of kimchi annually from China. Over the past five year, kimchi imports have made significant inroads into Korea. According to government figures, Korea imported 178 MT of processed kimchi in 2006, 60 percent higher than the previous year. In 2007, kimchi imports climbed 23 percent to 219 MT. Imports reached it highest around 222 MT in 2008. However, imports decreased roughly by 33 percent to 148 MT in 2009. On the hand, kimchi exports have remained steady over the last five years. In 2005, exports totaled 32 MT, the highest level seen in 5 years. From 2006 to 2009, kimchi exports continued their slight upward trend although never reaching a new high. In 2009, Korea exported 29 MT of kimchi. That is a 7 percent increase in quantity from the previous year.



Food Safety Issues

The government is seriously concerned about the safety of Chinese food products and notes that food safety requirements for imported cabbage will not be overlooked. Korea’s food safety concerns for Chinese food products flared in 2005 when national health authorities found parasites eggs in imported Chinese kimchi. Since this incident, many Korean consumers continue to have significant safety concerns about Chinese kimchi and make an effort to consume only domestic kimchi.

Kimchi Photos and Websites



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