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Global Agricultural Information Network

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**Report Highlights:**

Imports of American food and agricultural products into Korea in 2016 through September totaled \$5.1 billion, down 11 percent from the previous year mainly due to reduced demand for basic commodities and intermediate products in the local processed food and feed industry under an extended slowdown of the Korean economy. A strong U.S. dollar and increased competition from export-oriented competitors have also eroded market share of American products in Korea. However, despite the challenging market environment, imports of consumer-oriented American products are forecast to remain strong, which reflects Korean consumers' increased demand for better value, quality and diversity. As a result,

the United States should remain the leading agricultural exporter to Korea with over 21 percent market share and Korea should remain the fifth largest export market in the world for American agriculture in 2016. The Korea-United States Free Trade Agreement, implemented in March 2012, coupled with the anticipated recovery of the Korean economy, is expected to generate greater opportunities for American products in Korea in the coming year.

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#### **Disclaimer**

This report was prepared by the Agricultural Trade Office of the U.S. Embassy Seoul, Korea. Korean government policy and regulation are subject to change and revision. Please check for updated reports and verify Korean import requirements with your Korean business partners to ensure that you have the most up-to-date information prior to shipping. FINAL IMPORT APPROVAL OF ANY PRODUCT IS SUBJECT TO THE IMPORTING COUNTRY'S RULES AND REGULATIONS AS INTERPRETED BY BORDER OFFICIALS AT THE TIME OF PRODUCT ENTRY.

## **SECTION I MARKET OVERVIEW**

South Korea (herein after referred as Korea) is the fifth largest export market for American agriculture. Korea by nature relies heavily on imports to fulfill its food and agricultural needs. Korea is about the size of the state of Indiana and over 70 percent of its area is mountainous terrain, unsuitable for commercial farming. Furthermore, a majority of the limited farm land is exclusively dedicated to rice production. Its population of 50 million makes Korea the third most densely populated country in the world among countries with over 20 million in population. What is even more striking is that over 90 percent of Koreans live in urban areas which account for 17 percent of the land space. In addition, over 50 percent of the population lives within or in the direct vicinity of the capital city, Seoul. The agricultural sector, which accounts for only 2.3 percent of the Korean GDP as of 2015, is expected to remain a minor contributor to the Korean economy.

Korea is the world's 14<sup>th</sup> largest economy as of 2015 with a national GDP of \$1.853 trillion, up 2.6 percent from the previous year, and a per capita GDP of \$36,600 on a purchasing power parity (PPP) basis. Despite the heavy impact of the global economic crisis since 2009, the Korean economy has maintained a relatively stable growth due to solid performance of its export sector. However, the Korean economy currently faces another tide of challenges as the recovery of its major export markets has slowed under the extended global economic downturn and increased competition. All major Korean ship builders are in serious financial trouble and are pressured to lay off large numbers of workers. Korea's top ocean shipper was put under court receivership in September 2016 for heavy debts and is in the process of liquidation. Heavy household debts, which saw a steep, 113 percent increase between 2008 - 2016 to a record high level, also puts pressure on the Korean economy. On top of this, the leadership of the Korean government, which has lost much of its momentum after a recent corruption/influence-peddling scandal involving the president, is likely to remain weak until the new presidential election scheduled in late 2017. The bank of Korea has recently lowered its forecast for the

Korean GDP growth for 2017 down to 2.8 percent.

Reflecting these negative factors, Korea’s imports of agricultural and food products from the world in 2016 are forecast to decline 3.6 percent from the previous year to \$30.6 billion. Imports from the United States are forecast to decline 11 percent to \$6.4 billion. The decline would largely be in basic commodities and intermediate products due to reduced demand in the local processed food and feed industry. However, despite the challenging market environment, imports of consumer-oriented American products are forecast to remain strong, which reflects Korean consumers’ increased demand for better value, quality and diversity. As a result, the United States should remain the leading agricultural exporter to Korea with over 21 percent market share.

Food consumption trends in Korea reflect on-going socio-economic shifts among the general Korean public, which includes: the rise of an affluent consumer group, retirement of baby boomers, more women in the workforce, downsizing of the family, a well-traveled/educated young generation, urbanization, and adoption of information technologies. As a result, products and businesses that offer good value, high quality, health/nutritional benefits, new and diversified taste, and convenience are showing strong growth in the market.

The Korea-United States Free Trade Agreement (KORUS FTA), implemented in March 2012, coupled with the anticipated recovery of the Korean economy should generate greater export opportunities for American products in Korea in the coming years.

Table 1: Korea’s Agricultural Imports by Category (\$Million, CIF Value\*)

Product Category	From World			From the U.S.			Mkt Share
	2015	2016(F**)	Growth	2015	2016(F**)	Growth	
BASIC COMMODITY	5,666	4,954	-12.6%	1,907	1,401	-26.6%	28%
INTERMEDIATE	7,844	7,238	-7.7%	1,278	1,138	-10.9%	16%
CONSUMER-ORIENTED	11,072	11,121	0.4%	3,673	3,556	-3.2%	32%
FOREST PRODUCTS	2,905	2,833	-2.5%	119	95	-20.4%	3.3%
SEAFOOD PRODUCTS	4,240	4,442	4.8%	233	229	-1.7%	5%
GRAND TOTAL	31,728	30,589	-3.6%	7,210	6,419	-11.1%	21%

Source: Korea Trade Information Service (KOTIS) database, compiled by the U.S. Agricultural Trade Office (ATO) Seoul.

\*: The value is CIF basis which is inclusive of international shipping and insurance cost.

\*\* : 2016 figures are forecast based on January-September KOTIS import data trend analysis by ATO Seoul.

Table 2: Advantages and Challenges for American Products in the Korean Market

Advantages	Challenges
Korea is an emerging market where new ideas and trends are eagerly tried and accepted. Consumers maintain strong attention to new international foods and consumption trends.	Korean consumers are generally biased toward locally produced agricultural products. Many consumers still maintain an idea that local products are superior in

	quality and safety over imported products.
Korea by nature depends heavily on imports to satisfy its food and agricultural needs. Consumers are becoming less loyal to local agriculture as their taste continues to evolve, generating demand for imported products from more diversified origins.	High cost of shipping, documentation, inspection and labeling deteriorates price competitiveness of imported products. On-going trend of a strong U.S. dollar makes American products more expensive in Korea.
Korean consumers pay extra attention to the value, quality and safety of food that they consume. Many consumers recognize the United States as a trusted origin of quality agricultural products.	American products face elevated competition in Korea from both old and new competitors who are deploying aggressive export promotions targeting Korea.
Implementation of KORUS FTA generates new opportunities for American suppliers by reducing tariff and non-tariff barriers.	Imported products are subject to complicated labeling and food safety standards in Korea, which change frequently with limited lead time.

## SECTION II AMERICAN EXPORTER BUSINESS TIPS

### A. Where to Start

#### *Market Research:*

The first step recommended for new-to-market American suppliers seeking an entry into Korea is preliminary research to determine if there is a potential market for their products in Korea. The research should cover key marketing and regulatory issues including consumption trends, size of the market (imports), major distribution channels, current import tariff and local tax structure, and Korean government regulations and standards. The research, together with consultations with potential Korean import partners down the road, can also help American suppliers determine if any modifications to their existing products or marketing strategy are needed.

The internet home-page ([www.atoseoul.com](http://www.atoseoul.com)) of the Agricultural Trade Office Seoul under the USDA/Foreign Agricultural Service (FAS) is highly recommended to new-to-export American suppliers as the site offers various information about the Korean food market, including:

- [GAIN Market Reports](#): Reports on key products and industries published by FAS Seoul. Particularly Exporter Guide, FAIRS Country Report, Export Certificate Report, Retail Food Sector Report, and HRI Food Service Sector Report are recommended to new-to-market suppliers.
- [KORUS FTA Product Briefs](#): Short briefs on over 45 “best prospect” products are available.
- [Korea’s Agricultural Import Statistics](#): Spreadsheets, updated monthly, provide a summary of Korea's agricultural imports by four digit HS product code. For more accurate reading of the market, both the Korean government’s imports statistics (CIF value basis) and the U.S. exports statistics (FOB value basis) are provided.
- [Korea's Agricultural Import Trends Presentation](#): Presentations, updated quarterly, provide an overview of Korea's agricultural imports and the competition between the U.S. and other

- competitors for key products.
- [Korea Food Market Media Reports](#): Weekly food news clippings summarize outstanding issues and trends in the Korean food market.

Local offices in Korea under USDA/FAS can also provide American suppliers with catered assistance with various market entry tools as well as links to other relevant sources of support (please see Section VII of this report for contact information of the offices). Additionally, the United States Department of Commerce is another important source of information about the Korean market. In particular, the ‘[Country Commercial Guide](#)’ published by the department includes a wide range of useful information for new-to-market American suppliers (available from [www.export.gov](http://www.export.gov)).

#### *Establishing Korean Business Partners:*

While executing preliminary market research, the American supplier is encouraged to develop dialogues with potential business partners (importers/distributors) in Korea. Lists of Korean importers by product or by industry are available from the USDA/FAS offices in Korea. The lists are based on the industry contact database updated by the offices regularly. Korean importers in general are actively seeking new business opportunities with foreign suppliers and would willingly provide in-depth market intelligence if they are interested in the supplier’s product or business offer.

An effective tool recommended for developing contacts with Korean importers is exhibiting in reputable food trade shows because Korean importers highly value face-to-face encounters when developing new business with foreign suppliers. In particular, Seoul Food & Hotel, the only food trade show officially endorsed by USDA/FAS in Korea, has been an outstanding venue for new-to-market American suppliers to develop business contacts with a large number of key importers and distributors in Korea. Registration information to join the U.S. Pavilion of the show is available from the organizer ([www.seoulfoodnhotel.co.kr](http://www.seoulfoodnhotel.co.kr), [rhoad@oakoverseas.com](mailto:rhoad@oakoverseas.com)). Other international food trade shows that attract a sizable number of Korean food buyers include FoodEx Japan (<http://www.jma.or.jp/foodex/en/>), Natural Products Expo West ([www.expowest.com](http://www.expowest.com)), Fancy Food Show ([www.specialtyfood.com](http://www.specialtyfood.com)), SIAL France ([www.sialparis.com](http://www.sialparis.com)), and ANUGA Germany ([www.anuga.com](http://www.anuga.com)).

Another tool recommended is joining trade delegations to Korea organized by various American agricultural export promotion organizations, such as State Regional Trade Groups (Food Export Association of the Midwest USA, Western U.S. Trade Association, and Southern U.S. Trade Association, Food Export USA Northeast), State Departments of Agriculture, and USDA Cooperators (e.g. U.S. Dairy Export Council). Some of the states and USDA cooperators maintain representative offices or marketing contractors in Korea. Contact information of these organizations is available from USDA/FAS Korea offices.

Korea has well established regulations and procedures on food imports, which often makes entry of new-to-market products into Korea a time and resource consuming process. Working with reputable importers is the approach that has been proven most efficient to overcome these regulatory challenges. Established importers are the best source for up-to-date market demand/supply intelligence, local business laws and practices, distribution channels, and most of all government regulations on imported foods.

As the dialogue develops further and the potential business partner is narrowed down, the American supplier would be asked to ship sample products to Korea. Sample products shipped to Korea could be subject to the same set of Korean regulations as required on regular commercial shipment to enter the market, and therefore allow the American supplier to verify in advance if the product would have any problems against Korean standards, such as export certification requirements or food additive standards. The test shipment also helps verify the Harmonized Tariff System (HS) Code that the product would be subject to in Korea, which decides the import tariff or tariff rated import quota that the product is subject to.

Once the test shipment is successful, and an agreement on price and transaction terms is reached, the American supplier and the Korean importer would move forward to sign a formal contract to start actual business. The type of business relationship agreed between the U.S. exporter and the Korean importer may vary from a market exclusive, long-term business agreement to a non-binding, one-time purchase order. This determination would mainly depend on how the exporter sees the role of the import partner in market development. One common practice is maintaining a non-binding seller-buyer relationship during the test-market period and then upgrading to a more binding option later if the partnership proves to demonstrate bigger potential. Letter of credit (L/C) is the most common and recommended payment terms used between new business partners. It is also recommended that the contract include an agreement on the method of resolution for any dispute that may arise from the transaction.

#### *Meeting Local Tastes:*

One of the common mistakes that American suppliers often make is viewing Koreans as the same as consumers in the neighboring countries, Japan and China. Although it is true that people in these three Far Eastern Asian countries share some parts of their histories and cultures, Koreans' tastes for foods are different in many ways from their neighbors'. Consequently, products that cater to the taste of Korean consumers will have a higher chance of making a successful entry into Korea. Personal visits to Korea should be the best way to develop understanding about the local tastes. Information gathering through Internet or associating with Korean American communities could also be an efficient tool.

Meeting local tastes could mean anything from modifying package design to reformulating the recipe. Package design, in particular, is a very important factor in Korea, and the American supplier should consider developing a separate design that can better attract Korean consumers. Although many Koreans can read English, adding Korean language on the label can significantly improve the level of exposure on the shelf. Another noteworthy issue in packaging is the separate Korean language label required on imported products. This added, stick-on label can detract from the appearance of the product. The American supplier should discuss the design of the Korean language label with the import partner to develop a better look. The Korean language label is generally printed by the import partner and hand-attached to the product in the duty free warehouse at the port of entry before the customs inspection.

## **B. Local Business Customs & Practices**

Korea is a country of long tradition. While Korean importers understand international business customs and practices, paying attention to cultural differences and localities will facilitate building a trusted business relationship. The following are some business tips that American suppliers should keep in mind when associating with Korean businessmen.

### *Initial Communication:*

Partly because of the strong influence of Confucianism philosophy still running through the society, Koreans try to be formal when they develop contacts with new people. As such, cold calling (or cold e-mailing) could be problematic in Korea. Koreans would take extra steps or efforts to make the initial communication as formal as possible. For example, e-mails or letters would include unnecessary 'protocol' information, such as lengthy greetings or elaborated introduction about the person in charge, less critical to the business subject. Initial communication may not be considered official or meaningful unless done in a formal way (e.g., use of official letterheads or seals) or by a proper level person in the organization. Communication exchanged between the working level staffs may not take effect until the senior level staffs are introduced to the discussion later for final confirmation on the preliminary agreement already made. Therefore, the American supplier should try to match the formality of the Korean counterpart particularly during the initial stage of contact. As a result, progress of the initial communication could be slow.

### *Relationship Building & Social Networking:*

Koreans put high value on personal interaction when developing a new relationship, so they prefer to deal face-to-face. The American supplier may see little progress in negotiation until there is a face-to-face encounter made with the Korean counterpart. As a tool to supplement the personal interaction, Koreans seek introductions or comments by mutually connected third parties. Koreans love socializing and participate actively in various bodies of social network such as religious organizations, school alumni groups, political parties, and birth place associations. Any of these bodies of social network can help the American supplier develop or even troubleshoot its relationship with the Korean business partner. It is notable that many Koreans are also actively engaging in on-line social media such as Blogs, Internet communities, *Facebook*, and *Twitter*.

### *Language:*

Although English is the most common foreign language used in Korea and is officially taught in public schools, many Koreans find it difficult to communicate in English. Therefore, the American supplier should be very careful when writing or talking to the Korean counterpart in English. For every communication, the American supplier should try to use plain words, make the sentences as simple and clear as possible, avoid using slangs or trendy expressions, and ask for confirmation that the Korean counterpart has fully understood the idea. When corresponding through written communication, start with words of appreciation, clearly mark the recipient's name, title, and division (as many Koreans have the same last name), indicate a reasonable time frame for a response, and close with additional words of appreciation. By cultural nature, Koreans rarely say, "no" directly. Instead they often say the issue is "difficult." If there is anything unclear or confusing, it is best to ask directly and clearly what additional information or explanation is needed. When there is no satisfying reply, there is nothing wrong with politely asking again.

### *Name Cards:*

Exchange of name cards is usually the first item of business expected at the very beginning of a face-to-face encounter. In Korea, people seldom call others by their first names. Instead, they use surnames (such as Mr. Lee) or title and surname together (such as President Lee). Never use the first name unless the person specifically asks to be called by his/her first name. Having the back side of business card translated and printed in Korean should help the Korean recipient better understand and remember

you. One thing to note is that Koreans put their surnames ahead of first names when they write their names in Korean. For example, in a Korean name 'Hong Gil-Dong', the surname is 'Hong'. Korean names are difficult for Westerners to tell if the contact is a male or a female. Title of job is much diversified in a Korean organization, so the title of job on a Korean business card could be misleading as there could be limited matching titles in an American organization (for example, 'Manager of Sales Department' title on a Korean business card could mean 'Sales Executive' up to 'Vice President of Sales' in an American company).

#### *Meetings:*

Clearly defined and listed agenda provided in advance to the Korean counterpart helps the meeting stay focused and generate successful outcomes. When the meeting includes a senior staff member who speaks little English, a designated junior staff member of the Korean company usually translates on behalf of the whole Korean party. However, regardless of the fluency of the translator from the Korean side, the American supplier should be prepared to provide all materials in writing to avoid misunderstanding. For important meetings, the American supplier should also consider hiring a professional interpreter. Take time before the meeting to ensure that your interpreter is familiar with the terms that you will use. Small talk is a good way to break the ice at the beginning of a meeting. Allow the Korean party to talk enough before giving your reply, but it should not be seen as impolite to stop the discussion and ask for clarification or further information.

#### *Evening Gatherings:*

Korean businessmen often gather after work over dinner or drinks not only for socialization but also for business. As an old Korean saying goes, "real business develops in (unofficial) evening gatherings after work." Korean businessmen tend to extend the official talk started during the work hour into the dinner or even to a late 'drinking gathering' following the dinner particularly when they want to make significant progress in the negotiation. Therefore, American suppliers are encouraged to actively participate in evening gatherings especially when dealing with the older generation Korean businessmen. Although Koreans are wary of people who refuse to drink or who drink moderately, foreigners are given some flexibility especially if you explain that you have health or religious reasons for abstaining. A useful, cultural point to note in this situation is that it is impolite to pour one's own drink. As such, participants should not be bashful about pouring for others at the table.

#### *Dress Code:*

Koreans take first impression from the look of a person very importantly. It is recommended to wear a business suit and tie when meeting or visiting Korean importers for the first time regardless of the weather (in the heat of summer most Koreans do not wear a tie) unless you intend to deliver a specific idea by wearing special attire.

#### *Resolving Conflicts:*

Koreans do not like to appear "lost face" when dealing with conflicts. Therefore, even a small concession offered by the American supplier can help resolve the conflict more quickly. Visible anger is not useful in a confrontation. Instead, silence could be a more effective method of conveying displeasure. Apologizing can also be useful and does not always mean that you feel you were wrong. Lastly, never point your criticism directly at one specific person, but try to share the issue with the entire group of staffs involved in the Korean company. Law suits are a very expensive and time consuming way to resolve conflicts. Therefore, it is always recommended to include an alternative

measure in the contract describing how potential business disputes would be resolved. The following is a clause often used by the Korean traders - “All disputes related to this contract shall be finally settled by arbitration in the country of the respondent. In case the respondent is the Korean importer, the arbitration shall be held at the Korean Commercial Arbitration Board. In case the respondent is the American supplier, the arbitration shall be held at an American commercial arbitration association.” The Korean Commercial Arbitration Board offers some useful information related to this issue ( [http://www.kcab.or.kr/servlet/kcab\\_adm/memberauth/5000](http://www.kcab.or.kr/servlet/kcab_adm/memberauth/5000)).

**C. General Consumer Tastes and Trends**

Represented by steamed rice, Kimchi (seasoned and fermented vegetables) and Bulgogi (soy sauce marinated beef), traditional Korean cuisine remains the mainstream of the Korean diet today. However, globalization of the market and evolvement of consumer lifestyle have made today’s Korean diet quite different from what it was in the past. Like consumers in developed countries elsewhere, Koreans are looking for new tastes, better value, convenience, high quality, and most of all, safe and healthy food in their daily diet.

Due in part to the aging population, there is a heavy emphasis among the general Korean public on healthy eating. Korean consumers’ strong belief in health-improving efficacy of regular food ingredients dates back thousands of years as indicated by a still prevailing old Korean teaching, "food and medicine are from the same source." On top of this, 'Well-being', a theme that evoked new consumer trend of seeking both physical and psychological health by adopting more wholesome approaches in daily life has further heightened the Korean consumers’ attention to healthy diets. As a result, sales of functional foods (such as glucosamine, chlorella, vitamins, anti-oxidants, lactic bacteria, antlers, pollen, fish oil, ginseng and other Asian herbs) as well as regular foods that are associated with health benefits (such as red wine, organic food, green tea, yoghurt, blueberries, pomegranate, and quinoa) continue to grow.

Table 3: Aging Korean Population (unit: million people)

Age Group	1995		2015		Change
	Number	Share	Number	Share	
0-14	10.2	23.0 %	6.9	14.3%	-32 %
15-64	31.7	71.1 %	35.0	72.5%	10 %
65 +	2.6	5.9 %	6.4	13.3%	146 %

Source: Korea National Statistics Office ([www.kostat.go.kr](http://www.kostat.go.kr))

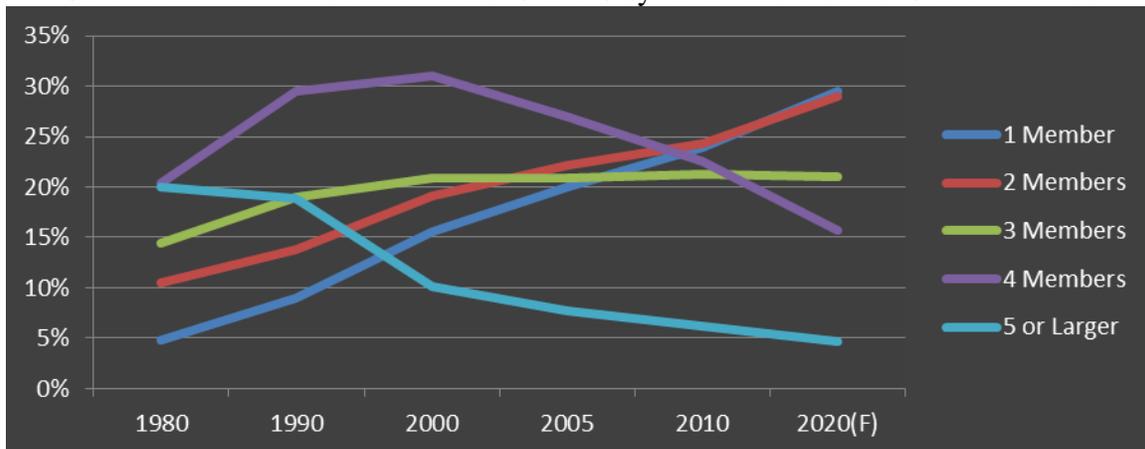
It is important to note that Korean consumers today are extremely sensitive to food safety issues as they have gone through endless outbreaks of food safety scandals and controversies over the years, including BSE cattle, Avian Influenza, faulty additives found in Chinese processed foods, and radiation risk from Japanese seafood after Hukusima nuclear accident. In addition, Korean consumers perceive Genetically Modified Organism (GMO) as a food safety concern. As a result, Korean consumers tend to react quickly to food safety issues and other consumer concerns of any magnitude. Furthermore, internet and social media networks have become a major communication channel to share issues and concerns among the general Korean public, which makes it more difficult for the government authority or the supplier to respond in a timely and efficient manner.

Continued growth of the economy allows Korean consumers to pay more attention to quality, diversity and new tastes in their diet. In particular, better-traveled young consumers, many of whom are educated in foreign countries, are ushering more international products and food culture into the market. It is also notable that the number of ‘super rich’ consumers continues to increase in Korea (Korea had over 210,000 cash-millionaires in 2015, which ranked Korea 10<sup>th</sup> in the world in terms of the number of cash-millionaires in the market). While Japan served in the past as the leading window for Korean consumers to monitor and adopt new foreign food culture and products, today’s Korean consumers are tracking more diverse international markets, including California, New York, Paris, and London for new foreign food ideas and trends.

At the same time, the call for better value is also emphasized in the market mainly due to the on-going retirement of the seven million Korean baby boomers as well as slowing-down of the local economy under the on-going global economic downturn. As a result, the number of private brand label products introduced by retail stores is on a rise. Retail stores are also trying to expand direct importation of agricultural products in an effort to eliminate the middlemen in the supply chain and lower the cost to the consumers. In addition, value-oriented retail stores, including dollar shops, warehouse discount stores and outlet shopping malls are currently deploying an aggressive expansion strategy to capitalize on the trend.

Convenience is another strong driving force behind many consumer trends as everyday life of Koreans gets busier. For example, rapid increase of dual-income families, single parent households, and single member households has led to a growing demand for Home Meal Replacement (HMR) products in retail stores as well as take-out meals in restaurants. Delivery service is extremely well developed in Korea as people do not want to waste time in the heavy traffic. Rapid growth of on-line shopping is also rooted partly in the demand for convenience.

Chart 1: Breakdown of Korean Households by the Number of Household Member



Source: Household Statistics, Korea National Statistics Service (<http://kosis.kr>)

Each Korean household spent on average W696,044 won or 27.2 percent of its total consumption expenditure on food purchases each month in 2015. 52.6 percent of the food expenditure was on grocery purchases and the remaining 47.4 percent was on dining outside home. Top five product categories that the household spent the most for grocery purchases were fresh meat, fresh and processed fruits, fresh and processed vegetables, dairies and eggs, and confectioneries and snacks. Between 2010

and 2015, the household food expenditure showed a 2.6 percent compounded annual growth rate (CAGR) on average. Categories that showed higher growth than the average growth included meat, processed meat, other processed seafood, confectioneries and snacks, other processed foods, juice and beverages, and alcohol beverages. On the other hand, fresh seafood and fresh and processed vegetables showed negative growth.

Table 4: Breakdown of Monthly Korean Household Food Expenditure (Unit: Won)

Year	2010		2015		5 Year CAGR*
Number of Household Members	3.31		3.17		-0.9%
Total Consumption Expenditure	2,286,874		2,563,092		2.3%
Total Food Expenditure	611,623		696,044		2.6%
Product Category	Amount	Share	Amount	Share	
Grains	18,617	3.0%	20,101	2.9%	1.8%
Processed Grains	15,546	2.5%	16,167	2.3%	0.8%
Bakery Products & Rice Cakes	19,763	3.2%	22,639	3.3%	2.8%
Meat	46,279	7.6%	56,104	8.1%	4.0%
Processed Meat	9,426	1.5%	11,856	1.7%	4.9%
Fresh Seafood	21,897	3.6%	20,293	2.9%	-1.5%
Salted & Dried Seafood	6,752	1.1%	7,648	1.1%	3.2%
Other Processed Seafood	6,338	1.0%	7,436	1.1%	3.3%
Dairy Products & Eggs	29,349	4.8%	30,517	4.4%	0.8%
Oil & Fat	2,773	0.5%	3,018	0.4%	1.8%
Fresh & Processed Fruits	37,726	6.2%	43,242	6.2%	2.9%
Fresh & Processed Vegetables	38,375	6.3%	37,094	5.3%	-0.6%
Fresh & Processed Seaweeds	4,061	0.7%	4,186	0.6%	0.7%
Confectioneries & Snacks	22,158	3.6%	28,753	4.1%	5.4%
Spices & Seasonings	11,056	1.8%	12,253	1.8%	3.4%
Other Processed Foods	9,652	1.6%	12,780	1.8%	5.8%
Coffee & Tea	6,854	1.1%	7,657	1.1%	2.5%
Juice & Beverages	10,312	1.7%	12,278	1.8%	3.6%
Alcohol Beverages	9,021	1.5%	12,109	1.7%	6.1%
Dining Outside Home	285,668	46.7%	329,913	47.4%	2.9%

Source: Monthly Household Expenditure Survey, Korea National Statics Office (<http://kosis.kr>)

\*CAGR: Compounded Average Growth Rate

### SECTION III IMPORT FOOD STANDARDS & REGULATIONS

Korea has well-established standards and regulations on food and agricultural products. Imported products must meet all the local rules to enter and be sold in Korea. For detailed information regarding standards and regulations that imported food and agricultural products are subject to in Korea, including Labeling, Packaging, Export Health Certificates, MRL (Maximum Residue Level) Code, and Food Additive Code, please refer to the following annual reports published by the Office of Agricultural Affairs/FAS Seoul.

- (1) [FAIRS \(Food and Agricultural Import Regulations and Standards\) Country Report Annual 2015](#),

KS1551 dated December 29, 2015 (or visit [www.atoseoul.com](http://www.atoseoul.com) or [www.fas.usda.gov](http://www.fas.usda.gov) for more recent update).

(2) [FAIRS Export Certificate Report Annual 2015](#), KS1550 dated December 24, 2015

Animal & Plant Health Inspection Service (APHIS/USDA) also provides via its website ([www.aphis.usda.gov](http://www.aphis.usda.gov)) detailed information and guidance on export health certificates required in Korea by product.

## **SECTION IV IMPORT PROCEDURES**

### **A. Customs Clearance**

Imported products are subject to mandatory documentation and inspection requirements administered by relevant agencies upon arrival in Korea.

The Korea Customs Service (KCS), the Ministry of Food and Drug Safety (MFDS), the Ministry of Agriculture, Food and Rural Affairs (MAFRA), and the Quarantine Inspection Agency (QIA under MAFRA) are the lead Korean authorities involved in the import clearance process. Any failure to satisfy the Korean regulations administered by these agencies will result in delays or rejections. Delays can be costly due to the perishable nature of agricultural products. In addition, other entities may be involved in regulating imports through administration of licenses or, in some cases, quotas established on agricultural products. Due to the complex nature of the import clearance process, importers (or exporters) in general hire licensed customs attorneys/brokers to handle the needed work.

KCS is responsible for ensuring that the imported shipment has satisfied every requirement, including documentation, inspections and import tariffs, before releasing the product from the bonded area. Therefore, the respective quarantine inspection authorities (MFDS and QIA) must clear the shipment before KCS will clear it. All new-to-market products are subject to mandatory laboratory inspection. Subsequent shipments of the same product that have passed the first laboratory inspection will be eligible to much simpler/shorter documentary/visual inspection (but could still be subject to laboratory testing on a random basis).

Table 5: MFDS Inspection Duration

Document Inspection	2 days
Visual Inspection	3 days
Laboratory Inspection	10 days
Random Inspection	5 days
Incubation Test	14 days

### **B. Documents/Information Generally Required by the Korean Authority for Imported Food**

(1) Commercial Invoice

(2) Bill of Lading (or Airway Bill)

- (3) Packing List
- (4) Certificate of Origin
- (5) Names of all ingredients and composition percentage of major ingredients
- (6) Names and contents of all food additives
- (7) Processing Flow Chart
- (8) Export health/sanitary certificate (for meat, fruit, nuts, vegetables, plants, grains, etc.)

### **C. Korean Language Labeling Requirements**

All imported food products are required to carry legible Korean language labels to enter the market. Stickers may be used, but should not be easily removable nor should they cover the original label. Labels must contain the following information listed below (for further details and exceptions, please refer to the FAIRS Country Report).

- (1) Product name
- (2) Product type
- (3) Importer's name and address
- (4) Manufacturer date
- (5) Shelf life or best before date
- (6) Contents (calories)
- (7) Ingredient names and content
- (8) Composite ingredients
- (9) Additives
- (10) Allergens
- (11) Nutrients
- (12) Other items designated by the detailed labeling standards for food such as public health warnings

### **D. Import Tariffs and KORUS FTA**

Korea utilizes a 10 digit Harmonized Tariff Code System (HSK) and the local authority maintains an exclusive right to make a ruling on HSK classification on imported products based on its own discretion. HSK classification on an imported product decides the amount of tariff and additional import restrictions (such as quotas) to be applied to the product. In many cases, the American supplier would not be able to identify the HSK code that his or her product will be subject to in Korea until the product is officially reviewed by the Korean authority upon importation. As a result, there is a high risk for the traders to mistake the HSK code and consequently violate the Korean tariff regulation (fail to pay the due tariff). Any violations including unintentional mistakes could lead to heavy penalties. Therefore, American suppliers are highly recommended to use 'HSK classification pre-review service' offered by the Korea Customs Valuation & Classification Institute (KCVCI, <http://www.customs.go.kr/kcshome/site/index.do?layoutSiteId=cvnci>) under the Korea Customs Service (KSC) through which traders can receive an official HSK classification ruling on an imported product before the product is imported into Korea for commercial sales. This service requires sample products and detailed information about the product for application which should be submitted through the local representative (import partner or customs broker) in Korea.

Tariffs charged on imported agricultural products vary considerably from product to product. Korea has established many trade agreements with individual countries as well as with bodies of economic

coalitions (such as WTO and ASEAN) over the years. As a result, tariffs charged on imported agricultural products can also vary considerably from origin to origin. In general, tariff rates are higher on products that are important to local agriculture (for such products, there might be additional safe guard measures such as Tariff Rate Quotas or Safe Guard Tariffs). Ingredient products and bulk commodity products needed by local processing industry generally have lower tariffs.

The KORUS FTA, implemented on March 15, 2012, significantly reduces tariffs on many American products imported into Korea. The ATO Seoul homepage has a special section that offers detailed information and links related to the KORUS FTA, including:

(1) Full Text of the Agreement: <http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta/final-text>

(2) Korea Tariff Schedule:

[http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset\\_upload\\_file786\\_12756.pdf](http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file786_12756.pdf)

You will find the base tariff rate and the phase out category for all agricultural and food products, organized by HSK code in the Korea Tariff Schedule. Phase-out categories include:

A	Immediate tariff elimination	E	6 year
B	2 year phase-out	F	7 year
C	3 year	G	10 year
D	5 year	H	15 year

(3) Country of Origin Certification:

[http://www.atoseoul.com/fta/KORUS%20FTA%20COO%20FAQ\\_clean%20\(2\).pdf](http://www.atoseoul.com/fta/KORUS%20FTA%20COO%20FAQ_clean%20(2).pdf)

(4) Tariff-rate Quotas: <http://www.atoseoul.com/fta/step4.asp>

(5) FTA Briefs on Top 40 Products: <http://www.atoseoul.com/fta/fta%20product%20briefs.asp>

## **E. Trademarks and Patents**

New-to-market American suppliers should pay attention to protecting the company or product's trademarks and patents, which can be easily handled by working with the Korean business partner or through local attorneys. The Korea Industrial Property Office (KIPO) is responsible for registration of trademarks and review of petitions related to trademark registration. In accordance with the Trademark Law, trademarks are registered in Korea on a "first file, first registered" principle. A person who registers a trademark first has a preferential right to that trademark, and Korean law protects the person who has the right over the trademark. To prevent trademark disputes, American companies considering conducting business in Korea are encouraged to register their trademarks as early as possible. For more information, see the Korea Industrial Property Rights Information Service website (<http://eng.kipris.or.kr>).

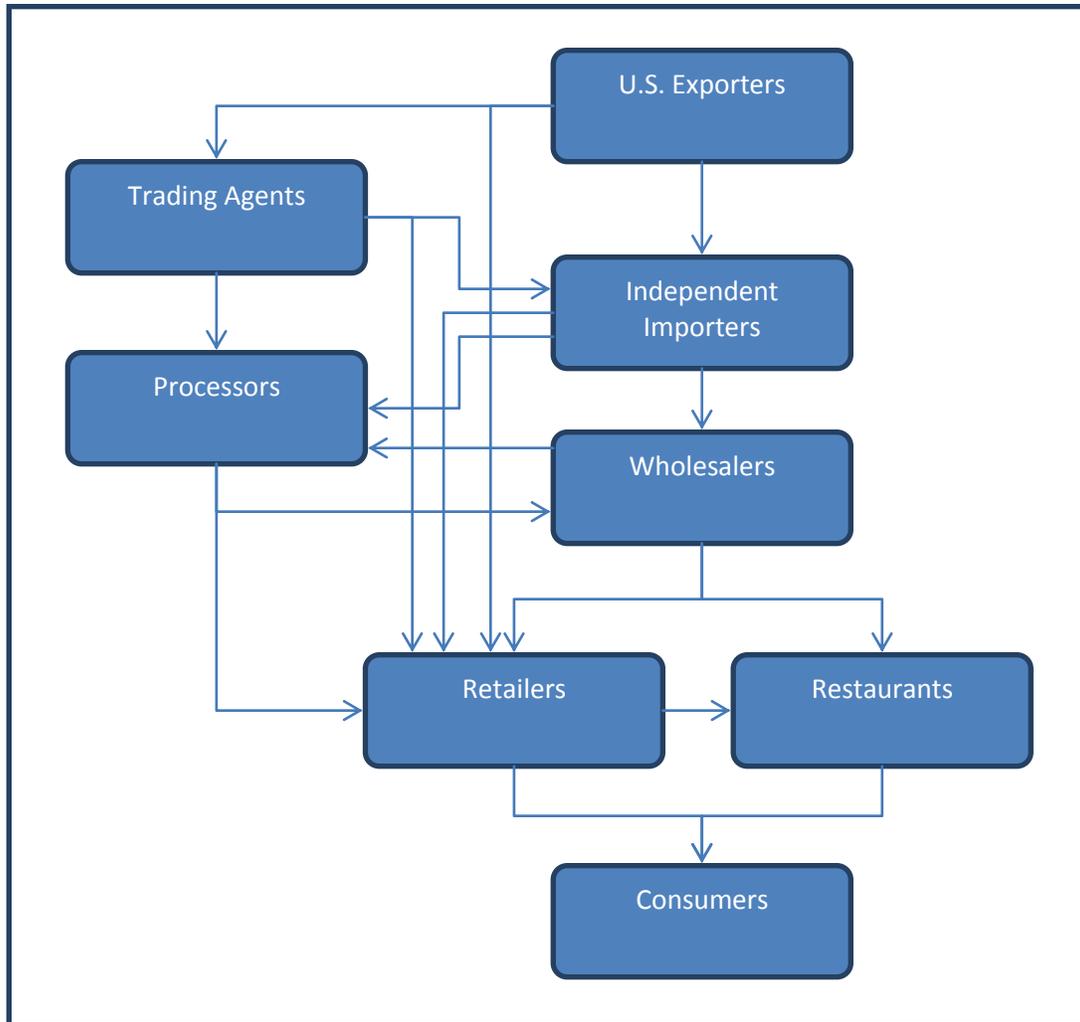
## **SECTION V MARKET SECTOR STRUCTURE AND TRENDS**

## **A. Supply Chain and Product Flow**

The supply chain for imported agricultural and food products in general involves multiple layers of middlemen and distributors, which is part of the reason for high consumer prices of many imported products in Korea.

It takes at least two weeks for a freight vessel from a western American port, and four weeks from an eastern port, to arrive in a port in Korea. Most of the agricultural products imported, either on bulk or container vessels, enter Korea through the port of Busan, the second largest city in Korea at the southeastern tip of the peninsula. The port of Incheon, which is much closer to the Seoul metropolitan area, is another important entry point. In rare occasions, small-volume-high-value products, such as premium wine and live lobsters, are brought via air cargos through Incheon International Airport (ICN).

Chart 2: Flow of Imported Food and Agricultural Products



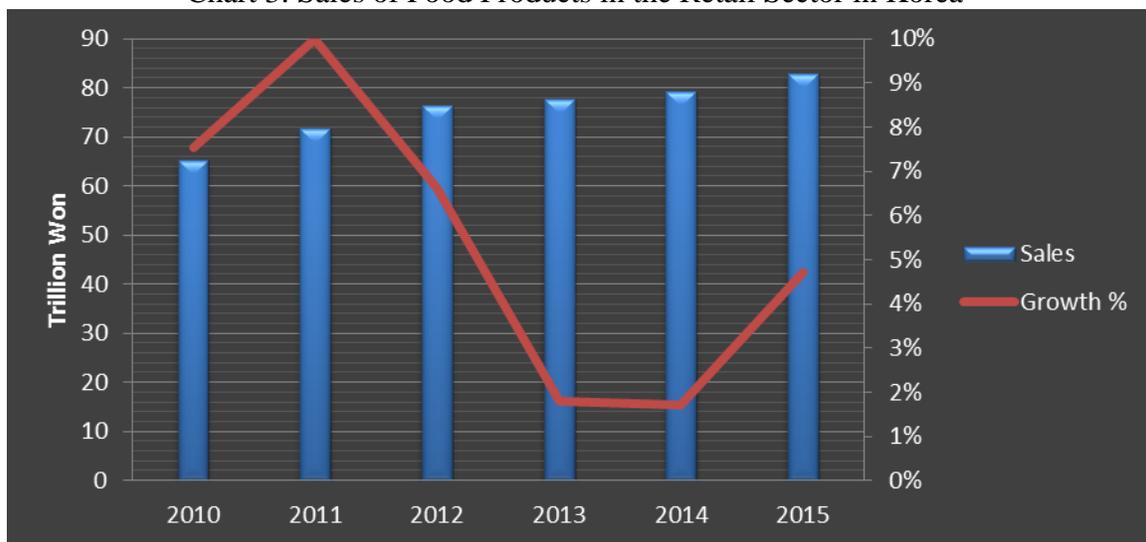
Once the products are cleared from the customs, they are transported to the importer's warehouse for temporary storage. Importers may have warehouses in more than one location. Small, independent importers in general use third party logistics service providers for warehousing and trucking to avoid high overhead costs. The importer usually supplies directly to the large-scale customer's warehouse, but may use wholesalers or independent sales brokers when supplying to small customers or to distant regional markets. Large-scale retailers and franchise food service companies (restaurants) in general operate a network of "distribution-hubs" across the country, each of which services all the branch stores and end-user restaurants in the given regional market.

The city of Seoul and its surrounding area within a 60 miles radius accounts for over 50 percent of the total Korean population and 70 percent of total retail sales in Korea. Although the government maintains a strong policy initiative to develop other regions of the country for balanced growth, the Seoul metropolitan area is expected to maintain a dominant share of food market sales in Korea in the coming years because it should continue to draw people for jobs and education. Regional markets that are likely to see a significant growth in the coming years include Busan, Inchon, Jeju, and Daejun (Daejun area, located in the middle section of the peninsula, has been designated as the new home of the Korean government offices).

## B. Retail Food Sector

The retail food sector in Korea has evolved dramatically ever since opening of its first large-scale discount store (i.e., hypermarket) in 1993 (E-Mart by Shinsegae Co.) and the liberalization of large-scale retail business to foreign ownership in 1996 (Macro, a Dutch retailer was the first one that entered the market). As a result, modern format, large-scale retail businesses such as hypermarket chains, grocery supermarket chains, convenience store chains, and on-line retailers have grown rapidly at the expense of traditional street markets and family-operated small retailers over the years. Expansion of these new retail industries coupled with introduction of new information technologies has brought a big change in the way Korean consumers purchase daily necessities, including food.

Chart 3: Sales of Food Products in the Retail Sector in Korea



Source: Retail Industry Sales by Product Statistics, Korea National Statistics Office (<http://kosis.kr>)

Overall retail sector sales (inclusive of automobile and fuel) in Korea amounted to W367 trillion Korean won in 2015 (approximately \$332 billion, exchange rate: \$1 = W1,104 as of Dec. 31, 2015), up 1.9 percent from the previous year. Total sales of food products in the retail sector amounted to W82.9 trillion in 2015, up 4.7 percent from the previous year. In other words, food products accounted for 22.6 percent of the overall retail sector sales. Overall retail sector sales in Korea, including food products, have shown a sluggish growth in recent years under the global economic downturn.

The grocery supermarket segment was the leading distribution channel for food products in the retail sector with an estimated W30.6 trillion of food sales in 2015, followed by hypermarket segment. However, in terms of growth, the on-line retailer segment showed the highest growth of food sales between 2012 and 2015, followed by the convenience store segment. Considering strong consumer demand for convenient and time saving shopping tools, on-line retailers and convenience stores are likely to lead the growth of food product sales in the retail sector in the coming years. On the other hand, hypermarkets and department stores are expected to see stagnant growth of food sales not only under the rising competition from other retail segments (on-line retailer in particular) but also because of limited room to add new stores in the market.

Table 6: Estimated Sales of Food Products by Retail Industry Segment (2015)

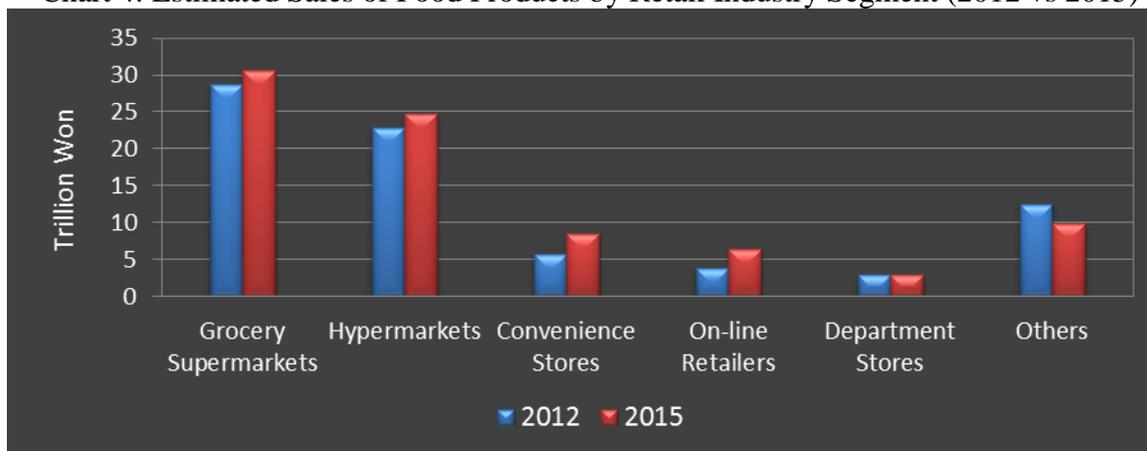
Segment	Total Sales	Share of Food Products in Total Sales*	Food Sales (Estimates)
Grocery Supermarkets	₩36.2 trillion	84.5%	₩30.6 trillion
Hypermarkets	₩48.6 trillion	51.0%	₩24.8 trillion
Convenience Stores	₩16.5 trillion	51.4%	₩8.5 trillion
On-line Retailers	₩53.9 trillion	11.7%	₩6.3 trillion
Department Stores	₩29.2 trillion	10.1%	₩2.9 trillion
Others**			₩9.8 trillion
Grand Total			₩82.9 trillion

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

\*: Estimates based on IR reports of some of the leading companies in each segment. The figure for on-line retailers is from ‘On-line shopping industry product sales statistics’ by Korea National Statistics Office.

\*\* : Others include independent, family operated retail stores of various consumer goods; traditional street markets; and category-focused specialty retail stores (independent or franchise operation).

Chart 4: Estimated Sales of Food Products by Retail Industry Segment (2012 vs 2015)



Rapid expansion of large-scale businesses over the years has heightened the competitive pressure in the Korean retail sector. As a result, leading players have actively pursued merger and acquisition (M&A) opportunities to achieve bigger control of the market. It is notable that leading retail companies in Korea today have become a “conglomerate” retail force that operates retail businesses in diverse retail industry segments. For example, the business umbrella of Lotte Shopping Co., a leading retail company in Korea, includes grocery supermarkets, hypermarkets, department stores, convenience stores, outlet shopping malls, duty free stores, TV home shopping, and Internet shopping malls. Expansion into foreign markets has been another area that leading Korea retailers have also invested heavily in recent years for new growth opportunities. For example, Lotte Mart, which currently operates 117 hypermarket stores in Korea, has increased its stores in foreign markets to 290 as of November 2016, including 116 in China and 44 in Indonesia.

Korean retailers in general rely heavily on independent importers or middleman distributors for imported food and agricultural products. Although leading players are making increased efforts to expand direct imports for lower cost and improved product assortment, their current attention is mainly targeted on a limited number of large volume products such as fresh fruits and meat.

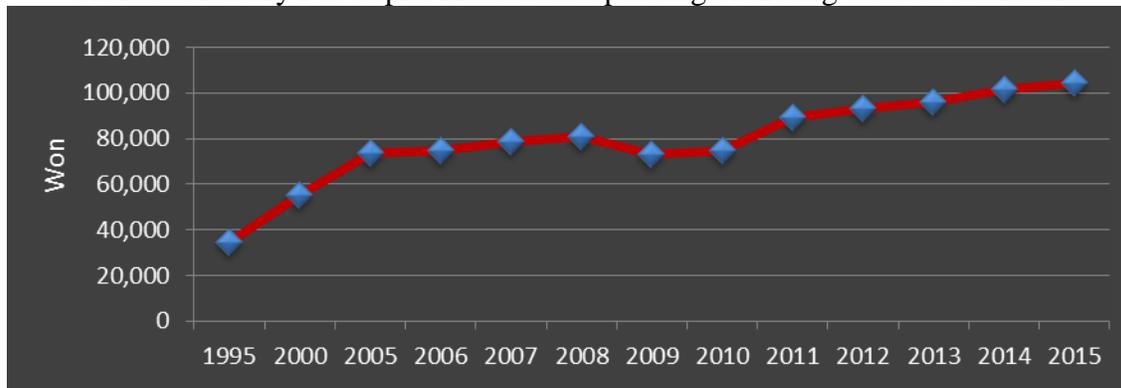
Growth of modern retail business in Korea has coincided with development of the modern, large-scale logistics service industry. Leading retailers are equipped with temperature controlled distribution network of trucks and warehouses that cover the entire market. On the other hand, small to medium size retailers in general rely on third party logistics service providers. The logistics service industry is likely to continue a strong growth in the coming year due to a rapid rise in demand for home delivery service which is now widely offered not only by on-line retailers but also by conventional retail stores.

For further information about the retail food sector in Korea, please refer to [the Korea Retail Food Sector Biennial Report 2015, KS1512](#) dated April 1, 2015 (available from [www.atoseoul.com](http://www.atoseoul.com) or [www.fas.usda.gov](http://www.fas.usda.gov)).

### C. Hotel, Restaurant and Institutional (HRI) Food Service Sector

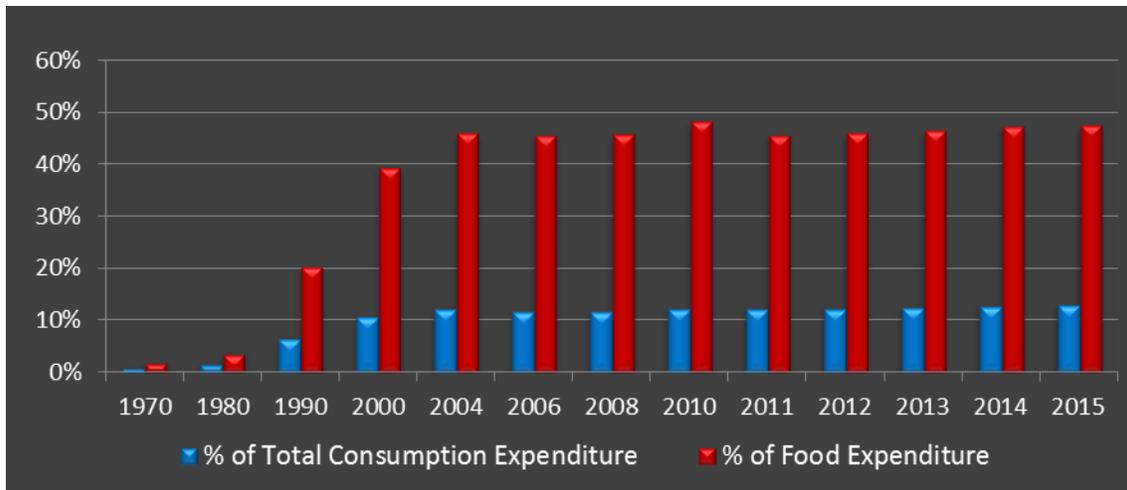
Evolution of lifestyle and dietary culture coupled with increased income level of Korean consumers have promoted a rapid growth of the Hotel, Restaurant and Institutional (HRI) food service sector in Korea over the last three decades. Monthly per capita household spending on dining outside the home amounted to W104,074 won (roughly \$94) in 2015, up 2.7 percent from the previous year. Each Korean household spent 47.4 percent of its food expenditure, or 12.9 percent of its total consumption expenditure on dining out. It is expected that spending on dining-out will continue a steady growth in the coming years as Korean consumers face ever busier lifestyle with increased number of dual-income families and single-member households.

Chart 5: Monthly Per Capita Household Spending on Eating Outside the Home



Source: Monthly Household Income & Expenditure Survey, Korea National Statistics Office

Chart 6: Share of Eating Outside the Home in Household Spending



Source: Monthly Household Income & Expenditure Survey, Korea National Statistics Office

Cash register sales for the HRI food service sector in Korea totaled W83.8 trillion won (\$79.6 billion at \$1 = W1,052 won as of Dec. 31, 2014) in 2014, up 5.4 percent from the previous year. Full-service Korean restaurants remained the leading segment of the sector by accounting for 43.6 percent of the sector sales. Bars were the second largest segment of the industry accounting for 13.3 percent of the sector sales. However, the bar segment recorded the least sales growth between 2012 and 2014 in the sector due to elevated consumer health concerns and reduced corporate entertainment spending. On the other hand, cafés and non-alcohol beverage shop, quick-service restaurant and institutional feeding restaurant segments led the sales growth of the sector during the period. Strong consumer interest in new tastes, busier lifestyle, and concerns for sluggish economy are likely to further boost the sales of these segments in the coming years.

Chart 7: Annual Sales and Total Number of Restaurants & Bars in Korea



Source: Restaurant & Bar Industry Statistics, Korea National Statistics Office

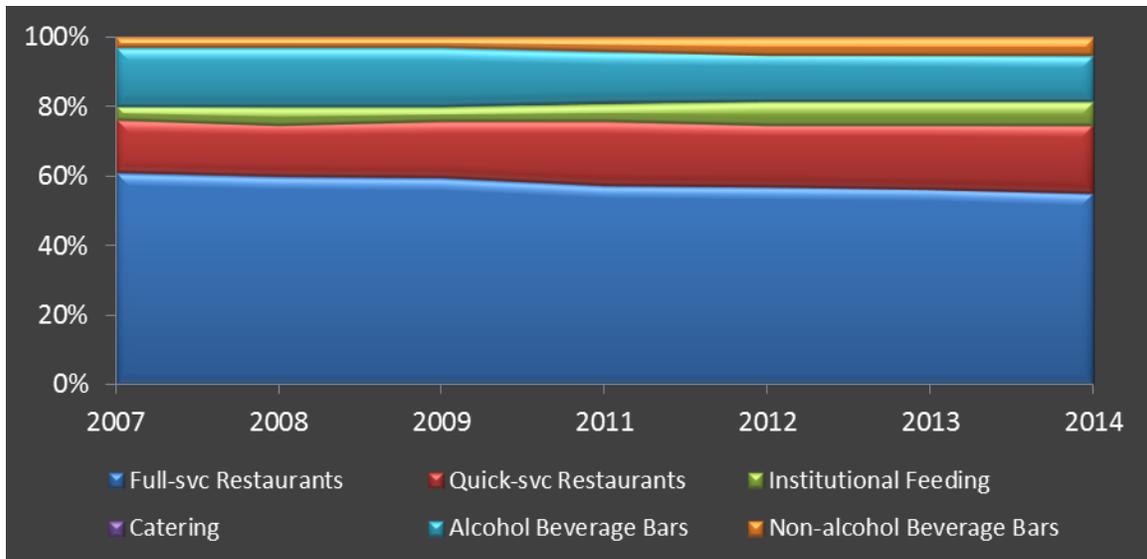
Table 7: Break Down of Food Service Sector in Korea

Category	Type of Restaurant		2012	2014	Growth
Full Service Restaurant	Korean Restaurants	Number	295,348	301,939	2.2%
		Sales*	35,178,359	36,554,531	3.9%
	Chinese Restaurants	Number	21,680	21,550	-0.6%
		Sales	3,010,600	3,148,505	4.6%
	Japanese Restaurants	Number	7,211	7,740	7.3%
		Sales	2,169,666	2,361,812	8.9%
	Western & Other Foreign Restaurants	Number	10,678	12,186	14.1%
		Sales	3,805,143	4,234,064	11.3%
	Sub Total	Number	334,917	343,415	2.5%
		Sales	44,163,768	46,298,911	4.8%
Quick Service Restaurant	Pizza, Hamburger, Sandwich Restaurants	Number	13,711	14,630	6.7%
		Sales	3,423,588	3,902,596	14.0%
	Fried Chicken Restaurants	Number	31,139	31,529	1.3%
		Sales	2,658,616	3,150,774	18.5%
	Korean Restaurants	Number	45,070	46,221	2.6%
		Sales	3,007,144	3,462,750	15.2%
	Other Restaurants	Number	4,251	4,669	9.8%
		Sales	1,069,437	1,182,160	10.5%
	Sub Total	Number	94,171	97,049	3.1%
		Sales	10,158,785	11,698,280	15.2%
Institutional Feeding Restaurants	Number	6,955	9,709	39.6%	
	Sales	4,700,254	5,582,825	18.8%	
Catering Services	Number	496	560	12.9%	
	Sales	126,921	140,046	10.3%	
Bakery Shops	Number	14,799	16,496	11.5%	
	Sales	3,969,754	4,681,799	17.9%	
Café & Non-alcohol Beverage Shops	Number	42,458	55,693	31.2%	
	Sales	3,277,863	4,294,162	31.0%	
Alcohol-beverage Bars	Number	131,035	127,968	-2.3%	
	Sales	10,887,855	11,123,909	2.2%	
Grand Total	Number	624,831	650,890	4.2%	
	Sales	77,285,199	83,819,931	8.5%	

Source: Wholesale & Retail Industry Statistics, Korea National Statics Service (<http://kosis.kr>)

\*Unit: Million won

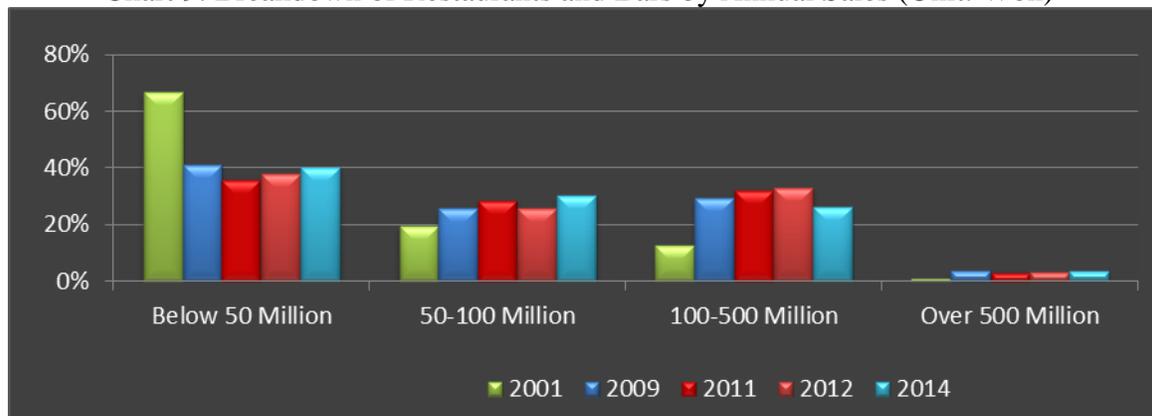
Chart 8: Breakdown of Food Service Sector Sales by Segment



Source: Wholesale & Retail Industry Survey (Korea National Statistics Office, <http://kosis.kr>)

It is notable that the Korean food service sector is still largely composed of small-scale, family-operated businesses as evidenced by the fact that over 90 percent of restaurants and bars in Korea were small businesses that hired less than five employees as of 2014. In addition, over 70 percent of the restaurants and bars in the sector earned less than W100 million won (roughly \$90,000) of annual cash register sales. Marketers point out that there are too many restaurants in Korea for the population. Roughly speaking, there is one restaurant per every 90 Koreans. As a result, distribution of products in the food service industry still relies heavily on the traditional channel, which involves multiple layers of small-scale middlemen distributors between the producer and the restaurant. However, restructuring of the sector, mainly fueled by entry of large-scale conglomerates into the sector, has led to a rapid growth of large-scale restaurants and bars, many of them under franchise operation, at the expense of small-scale, independent businesses. The industry restructuring has also coincided with a rapid development of large-scale, broad-line food service distributors that offer streamlined and consolidated product supply to the restaurant.

Chart 9: Breakdown of Restaurants and Bars by Annual Sales (Unit: Won)



Source: Restaurant & Bar Industry Statistics, Korea National Statistics Office

The evolving food service sector is generating new opportunities for imported products that offer new

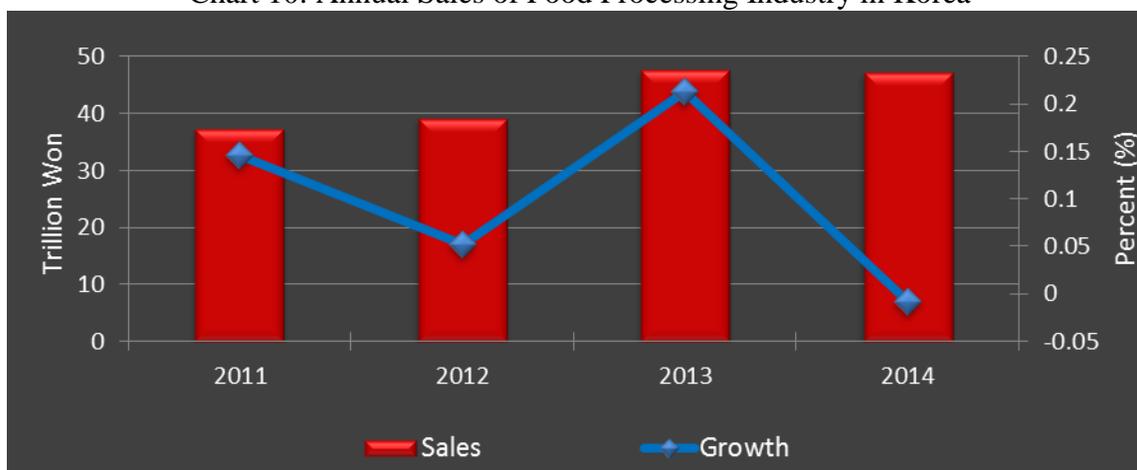
tastes, healthy recipes, added-value, stable supply, and specifications catered to the food service industry use, characteristics where U.S. products are competitive.

For further detailed information about the HRI food service sector in Korea, please refer to Korea HRI Food Service Sector Biennial Market Report 2016, KS1604 dated February 11, 2016 (available from [www.atoseoul.com](http://www.atoseoul.com) or [www.fas.usda.gov](http://www.fas.usda.gov)).

#### D. Food Processing Sector

Korea maintains a strong food processing industry that manufactures a wide variety of processed food products and food additives. There were over 26,000 food processing companies Korea as of 2014, which generated W47.1 trillion won (roughly \$44.8 billion) of sales, down 0.8 percent from the previous year.

Chart 10: Annual Sales of Food Processing Industry in Korea



Source: Food Processing Industry Statistics, Korea Ministry of Food & Drugs Administration

Note: The unusually high increase of the industry sales between 2012 and 2013 was due to inclusion of alcohol beverage category to the definition of processed food in 2013 (which reflected transfer of the regulatory authority on alcohol beverage from the Korea Tax Service to the Korea Ministry of Food & Drug Safety in 2013). If alcohol beverage category was not counted, the sector sales grew 4.2 percent between 2012 and 2013.

Table 8: Breakdown of Food Processing Industry by Product Category (2014)

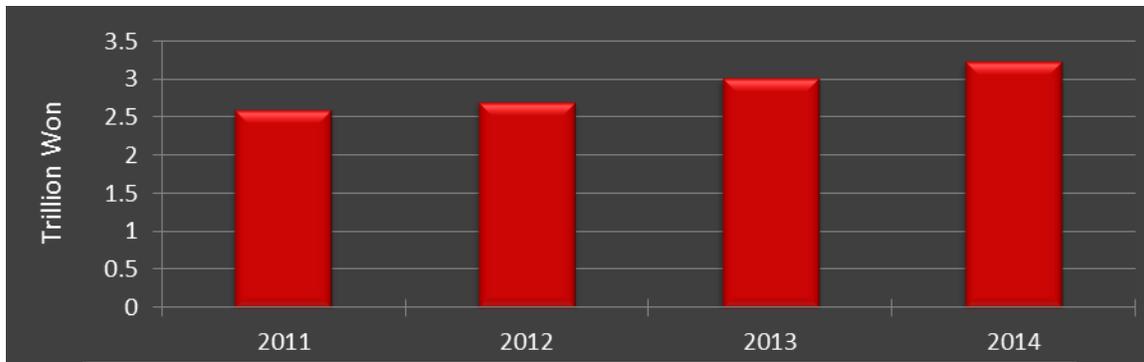
Product Category	Production Volume	Production Value
Alcohol Beverages	4,401,894 MT	W5,800 Billion
Other Processed Food (including wheat flour, starch, cereals, grains, table salts, honey, instant meals)	4,102,510 MT	W4,864 Billion
Processed Food Outside Official Specification	1,550,241 MT	W3,850 Billion
Non-alcohol Beverages	3,648,133 MT	W3,332 Billion
Bread & Rice Cake (including dumpling)	1,320,787 MT	W3,295 Billion
Snacks (including cookies, gums, candies, ice cream)	573,123 MT	W3,261 Billion

		Billion
Seasonings (including sauces, vinegars, spices)	888,393 MT	W2,612 Billion
Noodles	816,372 MT	W2,546 Billion
Coffee	644,177 MT	W1,979 Billion
Food Additives	5,956,539 MT	W1,799 Billion
Edible Fat & Oil	904,571 MT	W1,636 Billion
Chocolates & Processed Cacao Products	153,057 MT	W1,267 Billion
Sugars	1,467,233 MT	W899 Billion
Kimchi	421,505 MT	W887 Billion
Tea	463,975 MT	W820 Billion
Traditional Soy Sauces & Bean Pastes	632,925 MT	W800 Billion
Processed Fish Meat	219,262 MT	W643 Billion
Tofu & Vegetable Jellies	455,229 MT	W595 Billion
Pickles & Cured Food	342,061 MT	W586 Billion
Dried Meat & Fish Slice	30,932 MT	W337 Billion
Taffy & Dextrin	469,404 MT	W245 Billion
Fermented Fish	108,312 MT	W241 Billion
Dressings	106,260 MT	W236 Billion
Food for Special Diet (including Infant Formula)	48,586 MT	W207 Billion
Fructose	411,418 MT	W189 Billion
Prepared Food Boiled in Sauces	82,138 MT	W185 Billion
Processed Livestock Meat & Eggs	30,098 MT	W151 Billion
Jams	38,821 MT	W122 Billion
Oligosaccharides	59,082 MT	W44 Billion
Glucose	95,342 MT	W42 Billion
Sugar Syrups	760 MT	W2 Billion

Source: Food & Food Additive Production Statistics, Ministry of Food & Drug Administration

The Korean processing industry relies heavily on imports for raw materials, intermediate ingredients and additives because of limited local supply. As a result, the Korean food processing industry offers an outstanding opportunity for imported agricultural products for processing use from basic commodities such as corn and wheat to intermediate ingredients such as whey powder and fruit juice concentrates to food additives such as flavors and coloring agents. About 7 percent of overall production by the Korean food processing industry is currently exported to foreign markets and Korean processors are making heavy investments to expand their export business as the local market offers little growth momentum. The Korean government is also committed to provide the industry with a financial and promotional support to boost industry exports under the “globalization of Korean Food” policy initiative.

Chart 11: Exports of Korean Food Processing Industry



Source: Food Processing Industry Statistics, Korea Ministry of Food & Drugs Administration

It is notable that a large number of small to medium size businesses participate in the Korean processing industry as indicated by the fact that only 70 of the 27,507 food processing companies in the market had over 200 employees as of 2014.

Table 9: Breakdown of Food Processing Companies by Employment Size (2014)

Number of Employees	Number of Companies
10 or less	22,507
11 – 50	3,953
51 – 200	652
Over 200	70
Total	27,507

Source: Food & Food Additive Production Data, Ministry of Food & Drug Administration

For further detailed information about the food processing sector in Korea, please refer to [the Korea Food Processing Ingredients Market Brief 2014, KS1446](#) dated December 29, 2014 (available from [www.atoseoul.com](http://www.atoseoul.com) or [www.fas.usda.gov](http://www.fas.usda.gov)).

## SECTION VI. KOREA’S AGRICULTURAL & FOOD IMPORTS

### A. Agricultural & Food Import Statistics

Monthly updated statistics of Korea’s agricultural and food imports, organized by 4-digit HS code based on the Korea Trade Information Service database (KOTIS, CIF value) is available from the ATO Seoul’s Internet home-page ([www.atoseoul.com](http://www.atoseoul.com)). Quarterly presentations that summarize import trends of key products are also available from the site.

### B. Best High-value, Consumer-oriented Product Prospects

Product Category	HS Code	2015 Imports (\$ Mil) from World	3 Yr. Avg. Annual Import Growth	2016 Import Tariff Rates on American Product*	Key Constraints for Market Development	Market Attractiveness for U.S. Suppliers

		World				
		USA	USA			
Beef	0201-0202	1,816	13.1%	26.6%	BSE image, Competition, High tariffs	High price & limited supply of local product
		749	17.2%			
Pork	0203	1,320	9.2%	0% - 11.2%	Competition, High tariffs	High price & limited supply of local product
		402	7.0%			
Poultry	0207	221	-3.3%	5.1% - 13.5%	Avian Influenza, Competition	High price & limited supply of local product
		15	-23.7%			
Fish, Live	0301	231	-2.0%	0% - 22.5%	Competition Local taste	High price & limited supply of local product
		13	20.7%			
Fish, Frozen	0303	1,311	-0.2%	0% - 63%	Competition, Safeguard tariffs, Local taste	High price & limited supply of local product
		102	1.1%			
Fish, Fillet	0304	465	6.7%	0% - 10%	Competition, Local taste	High price & limited supply of local product
		70	16.7%			
Crustaceans	0306	803	13.2%	0% - 25%	Competition, Local taste	High price & limited supply of local product
		42	289.1%			
Cheese & Curd	0406	502	12.1%	0% - 24%	Competition, Safeguard tariffs, Local taste	High price & limited supply of local product
		251	25.7%			
Nuts	0802	447	17.0%	0% -377.8%	High price, Global demand	Healthy diet trend, Limited local supply
		373	16.5%			
Citrus Fruits	0805	249	0.1%	0% - 96%	Competition, Crop quality, Sanitation protocol	High price & limited/seasonal supply of local product
		215	-2.8%			
Grapes	0806	214	12.6%	0% - 31.7%	Competition	High price & limited/seasonal supply of local product
		30	3.1%			
Cherries, Fresh	0809.20	126	16.2%	0%	Short shelf life, High distribution cost	No local supply, Demand for new taste
		120	15.4%			
Processed Fruits & Nuts	0811 - 0814	146	7.5%	0% - 365.7%	Competition	Healthy diet trend, Limited local supply
		33	3.6%			
Coffee	0901	547	5.9%	0%	Competition	Strong growth of café industry, No local supply
		35	-3.5%			
Sausages & Similar Products	1601	31	7.7%	0%	Competition, No beef products	Demand for new taste & convenience, Limited local supply
		29	8.0%			

Other Prepared or Preserved Meats	1602	140	11.6%	0% - 48%	Competition, No beef products	Demand for new taste & convenience, Limited local supply
		17	17.9%			
Prepared or Preserved Crustaceans	1605	386	6.8%	0% - 10%	Competition, Local taste	Demand for new taste & convenience, Limited local supply
		3	8.0%			
Sugar Confectionery	1704	168	20.6%	0% - 4%	Competition, Local taste	Demand for new taste, Limited local supply
		30	25.4%			
Chocolate & Food Preparation	1806	311	6.2%	0% - 23.3%	Competition, Local taste	Demand for new taste, Limited local supply
		85	-1.1%			
Prepared Foods - Cereals	1904	30	-0.1%	0% - 25%	Competition, Local taste	Demand for new taste, Limited local supply
		14	6.4%			
Bread, Pastry, Cakes, etc.	1905	290	8.6%	0% - 4%	Competition, Local taste	Demand for new taste, Limited local supply
		69	7.6%			
Preparations of Vegetables & Fruits & Juices	2001-2009	945	3.6%	0% - 33.3%	Competition, Local taste	Healthy diet trend, Demand for new taste, Limited local supply
		277	4.6%			
Sauces & Preparations	2103	204	1.1%	0% - 30%	Competition, Local taste	Demand for new taste, Limited local supply
		31	9.0%			
Soups & Broths	2104	14	4.2%	0% - 5.1%	Competition, Local taste	Demand for new taste, Limited local supply
		5	18.0%			
Ice Cream & Other Edible Ice	2015	26	13.4%	0% - 2.2%	Competition, Local taste	Demand for new taste, Limited local supply
		4	6.0%			
Food Preparations Not Elsewhere Specified	2106	949	9.9%	0% - 377.1%	Competition, Local taste	Demand for new taste, Limited local supply
		554	15.1%			
Flavored Mineral Water	2202	72	8.0%	0% - 4.5%	Competition Local taste	Demand for new taste, Limited local supply
		25	10.2%			
Beer	2203	142	24.4%	8.5%	Competition, Local taste	Demand for new taste, Limited local supply
		9	12.2%			
Wine	2204	190	8.9%	0%	Competition, High price	Healthy diet trend, Demand for new taste, Limited local supply
		23	10.4%			
Spirits, Liqueurs	2208	240	-1.1%	0% - 10%	Competition, Health concerns	Demand for new taste, Limited local supply
		8	1.9%			

\*: For specific tariff rates for individual products in the category, please contact ATO Seoul.

## **SECTION VII. KEY CONTACTS AND FURTHER INFORMATION**

### **A. USDA/FAS Offices in Korea**

(1) For information about the Korean agricultural market and regulations, please contact:

U.S. Agricultural Trade Office Seoul (ATO)

Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550

Telephone: +82-2 6951-6848 Fax: +82-2 720-7921

E-mail: [atoseoul@fas.usda.gov](mailto:atoseoul@fas.usda.gov)

Internet homepage: [www.atoseoul.com](http://www.atoseoul.com)

Agricultural Affairs Office, U.S. Embassy Seoul (AAO)

Korean Address: U.S. Embassy, 188 Sejong-daero, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-AgAff, APO, AP 96205-5550

Telephone: +82-2 397-4297 Fax: +82-2 738-7147

E-mail: [agseoul@fas.usda.gov](mailto:agseoul@fas.usda.gov)

(2) For further information about sanitary/export certificate requirements, please contact:

U.S. Animal Plant and Health Inspection Service Seoul (APHIS)

Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-APHIS, APO, AP 96205-5550

Telephone: +82-2 725-5495 Fax: +82-2 725-5496

E-mail: [yunhee.kim@aphis.usda.gov](mailto:yunhee.kim@aphis.usda.gov)

Internet Homepage: [www.aphis.usda.gov](http://www.aphis.usda.gov)

### **B. State Regional Trade Groups (SRTG)**

For information about export assistant programs offered by State Regional Trade Groups, please contact:

Western United States Agricultural Trade Association (WUSATA)

2500 Main Street, Suite 110, Vancouver, WA 98660-2697, USA

Telephone: 360-693-3373 Fax: 360-693-3464

E-mail: [export@wusata.org](mailto:export@wusata.org)

Website: [www.wusata.org](http://www.wusata.org)

Food Export Association of the Midwest USA

309 W. Washington St., Suite 600, Chicago, Illinois 60606, USA

Telephone: 312-334-9200 Fax: 312-334-9230

E-mail: [thamilton@foodexport.org](mailto:thamilton@foodexport.org)

Website: [www.foodexport.org](http://www.foodexport.org)

Food Export USA Northeast

150 S. Independence Mall West, 1036 Public Ledger Building, Philadelphia, PA 19106, USA

Telephone: 215-829-9111 Fax: 215-829-9777

E-mail: [jcanono@foodexportusa.org](mailto:jcanono@foodexportusa.org)

Website: [www.foodexportusa.org](http://www.foodexportusa.org)

Southern United States Agricultural Trade Association (SUSTA)

2 Canal Street Suite 2515, New Orleans, LA 70130, USA

Telephone: 504-568-5986 Fax: 504-568-6010

E-mail: [susta@susta.org](mailto:susta@susta.org)

Website: [www.susta.org](http://www.susta.org)

### **C. Additional Sources of Information & Support**

(1) For information on the non-agricultural commercial and industrial products in Korea, please contact:

U.S. Commercial Service

Korean Address: U.S. Embassy, 82, Sejong-ro, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-USCS, APO, AP 96205-5550

Telephone: +82-2 397-4535 Fax: +82-2 739-1628

E-mail: [Seoul.office.box@mail.doc.gov](mailto:Seoul.office.box@mail.doc.gov)

Homepage: <http://2016.export.gov/southkorea/>

(2) The American Chamber of Commerce in Korea (AMCHAM) offers a local network of American businesses by sector, through which its over 1,000 member companies can share market intelligence and collaborate on new business opportunities.

Address: #4501 Trade Tower, 159-1 Samsung-dong, Gangnam-gu, Seoul, Korea

Telephone: +82-2 564-2040 Fax: +82-2 564-2050

E-mail: [amchamrsvp@amchamkorea.org](mailto:amchamrsvp@amchamkorea.org)

Homepage: [www.amchamkorea.org](http://www.amchamkorea.org)

(3) American State Offices in Korea (ASOK)

Global Delaware Korea Office

Phone: 82-2-785-7301 Fax: 82-2-786-7704

E-mail: [kyang@kbsinc.co.kr](mailto:kyang@kbsinc.co.kr)

Fairfax County Economic Development Authority, Virginia

Phone: 82-2-774-0601 Fax: 82-2-774-6646

E-mail: [fairfaxkorea@fceda.org](mailto:fairfaxkorea@fceda.org) Website: [www.fairfaxcountyeda.org](http://www.fairfaxcountyeda.org)

Jacksonville Port Authority Korea Office

Phone: 82-10-9050-0021 E-mail: [ckoh.jaxport@gmail.com](mailto:ckoh.jaxport@gmail.com)

State of Georgia Korea Office

Tel: 82-2-701-3222

Fax: 82-2-701-9858

E-mail: punderwood@georgia.org

Website: [www.georgia.org](http://www.georgia.org)

Los Angeles Port Authority Korea Office

Tel: 82-2-720-8590

E-mail: khpark@dolship.co.kr

Louisiana Economic Development Korea Office

Tel: 82-2-508-8768

Fax: 82-2-6275-5060

E-mail: youngho.seo@la.gov

Website: [www.opportunitylouisiana.com](http://www.opportunitylouisiana.com)

State of Maryland Korea Office

Tel: 82-2-393-8000

Fax: 82-2-401-6644

E-mail: thomas6191@hanmail.net

Minnesota Trade Office in Korea

Tel: 82-10-4400-4510

Fax: 82-2-544-8346

E-mail: hank.imm@state.mn.us

Website: [www.mm.gov/deed/trade](http://www.mm.gov/deed/trade)

State of Mississippi Korea Office

Tel: 82-2-548-9125

Fax: 82-2-548-9127

E-mail: sscho59@empas.com

Website: [www.mississippi.org](http://www.mississippi.org)

State of Missouri Korea Office

Tel: 82-2-70-7841-9104

E-mail: joseph.lenox@missouri-korea.com Website: [www.ded.mo.gov](http://www.ded.mo.gov)

State of North Carolina Korea Office

Tel: 82-2-3497-1650

E-mail: hskim@impex.or.kr

Website: [www.edpnc.com](http://www.edpnc.com)

State of Tennessee Korea Office

Tel: 82-2-6085-5421

E-mail: heejung.shin@tn.gov

State of Utah Korea Office

Tel: 82-2-6000-3991

Fax: 82-2-2205-3388

E-mail: hskim@impex.or.kr

Website: [www.utah.gov](http://www.utah.gov)

State of Oregon Korea Office

Tel: 82-2-753-1349

Fax: 82-2-753-5154

E-mail: oregonkorea33@gmail.com

Website: [www.oregonkorea.org](http://www.oregonkorea.org)

Commonwealth of Pennsylvania Korea Office

Tel: 82-2-786-7701

Fax: 82-2-786-7704

E-mail: kyang@pennsylvania.or.kr

Website: [www.pennsylvania.or.kr](http://www.pennsylvania.or.kr)

Virginia Economic Development Partnership  
 E-mail: [jkim@YesVirginia.org](mailto:jkim@YesVirginia.org)

Virginia Port Korea Office  
 Tel: 82-2-739-6248 Fax: 82-2-739-6538  
 E-mail: [slee@vit.org](mailto:slee@vit.org) Website: [www.vit.org](http://www.vit.org)

Wisconsin Economic Development Corporation Korea Office  
 Tel: 82-2-785-7306 Fax: 82-2-786-7704  
 E-mail: [tkim@kbsinc.co.kr](mailto:tkim@kbsinc.co.kr) Website: <http://inwisconsin.com>

**APPENDIX. KEY SOCIO-ECONOMIC INFORMATION OF KOREA**

Item	Description
Location	Eastern Asia, southern half of the Korean Peninsula bordering the East Sea (Sea of Japan) and the Yellow Sea
Geographic coordinates	37 00 N, 127 30 E
Area	Total: 99,720 sq. km - Country comparison to the world: 109th (slightly larger than State of Indiana) Land: 96,920 sq. km Water: 2,800 sq. km
Coastline	2,413 km
Climate	Temperate, with rainfall heavier in summer than winter
Terrain	Mostly hills and mountains; wide coastal plains in west and south
Natural resources	Coal, tungsten, graphite, molybdenum, lead, hydropower potential
Land use	Agricultural land: 18.1% Arable land: 15.3% Permanent crops: 2.2%
Natural hazards	Occasional typhoons bring high winds and floods; low-level seismic activity common in southwest Volcanism: Halla (elev. 1,950 m) is considered historically active although it has not erupted in many centuries
Ethnic groups	Homogeneous
Religions	Christian 31.6% (Protestant 24%, Roman Catholic 7.6%), Buddhist 24.2%, other or unknown 0.9%, none 43.3% (2010 est.)
Languages	Korean, English (widely taught in junior high and high school)
Population	50,924,172 (July 2016 est.) - country comparison to the world: 28th
Age structure	0-14 years: 13.45% 15-64 years: 73.02% 65 years and over: 13.53% (2016 est.)
Population growth	0.53% (2016 est.) - comparison to the world: 156th
Urbanization	Urban population: 82.5% of total population (2015 est.)

Major Urban Areas	Seoul (capital) 9.774 million; Busan 3.216 million; Incheon 2.685 million; Daegu 2.244 million; Daejeon 1.564 million; Gwangju 1.536 million (2015)
Life expectancy at birth	Total population: 82.4 years Country comparison to the world: 12th
School Life Expectancy	Total 17 years
Capital	Name: Seoul Geographic coordinates: 37 33 N, 126 59 E Time difference: UTC+9 (14 hours ahead of Washington, DC during Standard Time)
Administrative divisions	9 provinces (do, singular and plural) and 7 metropolitan cities (gwangyoaksi, singular and plural) Provinces: Chungcheong-bukdo (North Chungcheong), Chungcheong-namdo (South Chungcheong), Gangwon, Gyeonggi, Gyeongsang-bukdo (North Gyeongsang), Gyeongsang-namdo (South Gyeongsang), Jeju, Jeolla-bukdo (North Jeolla), Jeolla-namdo (South Jeolla) Metropolitan cities: Busan (Pusan), Daegu (Taegu), Daejeon (Taejeon), Gwangju (Kwangju), Incheon (Inch'on), Seoul, Ulsan
Independence	15 August 1945 (from Japan)
Legal system	Mixed legal system combining European civil law, Anglo-American law, and Chinese classical thought Elections: president elected by popular vote for a single five-year term; election last held in December 2012; prime minister appointed by president with consent of National Assembly
International organization participation	ADB, AfDB (nonregional member), APEC, ARF, ASEAN (dialogue partner), Australia Group, BIS, CD, CICA, CP, EAS, EBRD, FAO, FATF, G-20, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IEA, IFAD, IFC, IFRC, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAIA (observer), MIGA, MINURSO, NEA, NSG, OAS (observer), OECD, OPCW, OSCE (partner), Pacific Alliance (observer), Paris Club (associate), PCA, PIF (partner), SAARC (observer), SICA (observer), UN, UN Security Council (temporary), UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNISFA, UNMIL, UNMISS, UNMOGIP, UNOCI, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO, ZC
GPD (purchasing power parity)	\$1.849 trillion (2015 est.) Country comparison to the world: 14th
GDP (official exchange rate)	\$1.377 trillion (2015 est.)
GDP composition by sector	Agriculture: 2.3% Industry: 38 % Services: 59.7% (2015 est.)
Labor force	26.91 million (2015 est.)
Unemployment	3.6% (2015 est.)
Household income	Lowest 10%: 6.8%

or consumption by	Highest 10%: 37.8% (2014/Q4)
Distribution of family income - Gini index	30.2 (2014 est.) Country comparison to the world: 121 <sup>th</sup>
Inflation rate	0.7% (2015 est.)
Commercial bank prime lending rate	3.53% (31 December 2015)
Agriculture - products	Rice, root crops, barley, vegetables, fruit; cattle, pigs, chickens, milk, eggs; fish
Industries	Electronics, telecommunications, automobile production, chemicals, shipbuilding, steel
Current account balance	\$105.9 billion (2015 est.)
Exports	\$545.8 billion (2015 est.) Country comparison to the world: 6th
Exports - commodities	semiconductors, petrochemicals, automobile/auto parts, ships, wireless communication equipment, flat display displays, steel, electronics, plastics, computers
Exports -partners	China 26%, US 13.3%, Hong Kong 5.8%, Vietnam 5.3%, Japan 4.9% (2015)
Imports	\$428.5 billion (2015 est.) Country comparison to the world: 10th
Imports - commodities	crude oil/petroleum products, semiconductors, natural gas, coal, steel, computers, wireless communication equipment, automobiles, fine chemical, textiles
Imports - partners	China 20.7%, Japan 10.5%, US 10.1%, Germany 4.8%, Saudi Arabia 7% (2015)
Exchange rate: South Korean won (KRW) per US dollar	1,131.0 (2015 est.) 1,052.8 (2014 est.) 1,052.9 (2013 est.) 1,126.5 (2012 est.)

Source: The CIA World Factbook ([www.cia.gov](http://www.cia.gov))