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Voluntary - Public

Date: 2009-09-04

GAIN Report Number: KS9005

Korea - Republic of

Post: Seoul ATO

Lettuce Market Brief - ATO Seoul

Report Categories:

Product Brief

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Report Highlights:

U.S. lettuce benefits from being imported during Korea's off season from July through September, and is mostly consumed in hotels and restaurants. U.S. lettuce exporters would also benefit from greatly improved access to this market under the Korea-U.S. free trade agreement (KORUS FTA). Under the KORUS FTA, the currently applied 45% tariff will be removed in ten equal annual stages beginning on the date the FTA enters into force. U.S. lettuce shall enter Korea duty-free, effective January 1 of year ten.

General Information:

SECTION I. MARKET OVERVIEW

Lettuce is a commonly grown vegetable in Korea with an average annual production volume of about 24,000 metric tons. Local production is supplemented by imports which amounted to 2,600 metric tons in 2008. Imported lettuce accounted for about 10 percent of consumption in 2008. Imported lettuce from China has been gaining market share against U.S. lettuce since 2004.

U.S. lettuce benefits from being imported during Korea is off season during July through September which is consumed in hotels and restaurants. U.S. lettuce exporters would also benefit from greatly improved access to this market under the Korea-U.S. free trade agreement (KORUS FTA). Under the KORUS FTA, the currently applied 45% tariff will be removed in ten equal annual stages beginning on the date the FTA enters into force. U.S. lettuce shall enter Korea duty-free, effective January 1 of year ten.

(For specific schedule of tariff elimination please go to

<http://www.fta.go.kr/pdf/20081104/eng/2E03.pdf>

ANNEX 2-B-TARIFF SCHEDULE OF KOREA (HS0705.11.000) and

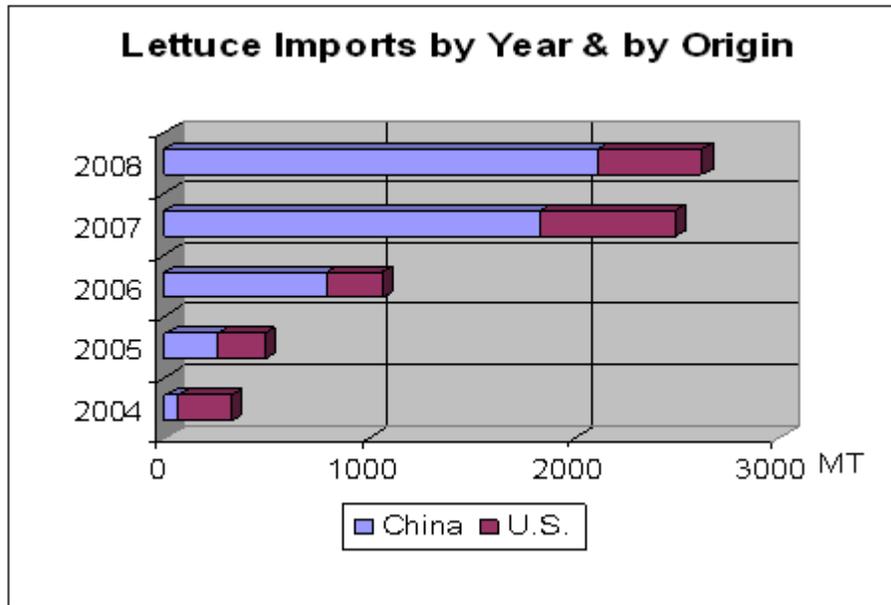
<http://www.fta.go.kr/pdf/20081104/eng/2E06.pdf>

ANNEX 2-B TARIFF ELIMINATION)

Korean Lettuce Production, Imports and Consumption by Year

	2004	2005	2006	2007	2008
Production	23,500	27,700	25,300	22,200	22,200
Imports	324	479	1,062	2,500	2,620
Consumption	23,824	28,179	26,362	24,700	24,820

Unit: Metric Ton



Advantages	Challenges
Demand is constant throughout the year from market and demand for healthy food has led to an increase in lettuce consumption.	High tariffs (45%)
U.S. products are well packaged and benefit from cold-chain system which allows product to stay fresher longer compared to competitors.	U.S. prices are less competitive compared to other imports and local production.
Retailers/distributors consider U.S. products to be good to superior quality.	Import demand for lettuce fluctuates according to a seasons and weather conditions.
Few barriers to entry for products such as no mandatory fumigation.	
Weather-related fluctuation in local production volume and quality provides opening for imported product.	
Tariff shall be removed in ten equal annual stages beginning on the date the KORUS FTA enters into force, and shall be duty-free, effective January 1 of year ten.	

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Industry sources expect lettuce demand to increase in the long term parallel with growth in the food service industry.

U.S. lettuce availability extends beyond the local production season. Once the Korea-U.S FTA is implemented, U.S. lettuce exporters will also benefit from greatly improved access to this

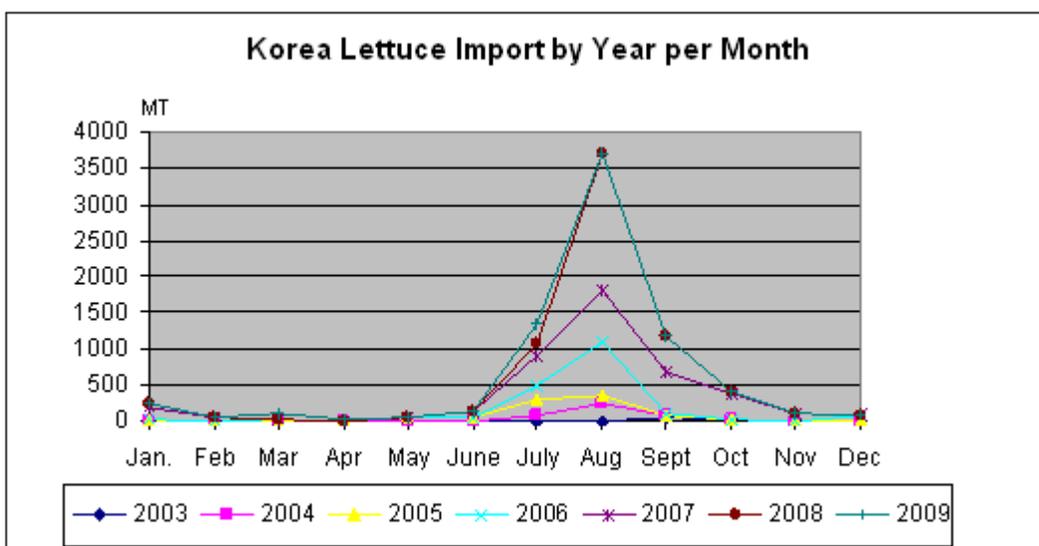
market. The current 45% tariff shall be removed in ten equal annual stages beginning on the date FTA enters into force, and shall be duty-free, effective January 1 of year ten.

Lettuce is primarily consumed in fresh form for salad and in combination with sandwiches. Cold chain development is less than optimal. Prices fluctuate in response to weather and supply conditions. Lettuce is considered a highly perishable item which must be consumed in 3-5 days after reaching the market.

Korea Lettuce Import by Year per Month

Unit: Metric Ton

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
2003	0	0	0	0	0	0	0	0	61	38	0	2
2004	0	0	0	0	0	0	78	233	12	0	0	0
2005	0	0	1.1	0	63	67	230	117	0	0	0	0
2006	34	0	16	0	0	0	172	740	24	0	0	76
2007	161	49	0	0	0	60	432	728	594	350	114	13
2008	50	0	0	0	0	0	167	1886	493	25	0	0
2009	0	0	81	34	0	6	260	-	-	-	-	-



The most seasonal import opportunity is from July through October and consumed in hotels and restaurants.

1. Entry Strategy

U.S. lettuce is currently imported in small amounts and at higher prices than domestic and other imported lettuce. The first step for U.S. suppliers might be to motivate the trade to increase the volume by raising awareness of the freshness and high quality of U.S. lettuce. Developing marketing materials, such as educational kits and other POS material, including sampling will also help grow the market for U.S. lettuce.

U.S. lettuce quality is crispier and stronger than Chinese product which competes on the basis of lower prices. In 2008, the CIF price of imported U.S. lettuce was almost 25% higher than Chinese product. Lettuce cost per kilogram from China was \$0.77 vs. \$0.96 (CIF basis) from United States in 2008

One of the best ways to enter into the Korean market is to contact potential importers directly by introducing the exporting company and its products through e-mails and/or fax to explore possible market opportunities in Korea. If U.S. exporters do not have lists of potential importers, they can contact ATO Seoul to obtain them.

Another way of finding potential importers is to participate in a local food show to showcase products to a larger audience. Many Korean importers attending these shows are looking to establish reliable long-term trading relationships. Show participation enhances initial contacts with importers, agents, wholesalers, distributors, retailers and others.

Currently, there is one USDA-endorse trade show in Korea. The “Seoul Food & Hotel 2010” will be held in Ilsan in the suburbs of Seoul, May 12-15, 2010. The show presents an excellent chance to explore possible market opportunities in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc. Contact Mr. Russell Hood’s email via rhood@oakoverseas.com to secure exhibition space in the U.S. pavilion at the show.

2. Market Size, Structure and Trends

Chinese lettuce tends to weigh about 500 grams per head while U.S. lettuce weighs about 800 grams per head and is crispier than Chinese lettuce. Korean consumers associate U.S. lettuce with high quality.

Lettuces is grown and consumed all year round in Korea, most production and consumption occurs from July through September. During the summer season, Kangwon province in Korea accounts for the majority of outdoor where is hilly (about 1,000 meters high) and cool temperature (big different between day and night). After summer is over, lettuce is grown in plastic green houses in Choongchung, Kyungsang and Jeolla provinces during autumn through winter and spring.

In case of heavy rain and/or typhoons during summer, there can be increased opportunities import from United States. Most imports occur from July through October.

Cabbage is used in place of lettuce in hamburger shops when the lettuce prices increase to three times those of cabbage. However, high end restaurants do not replace lettuce with cabbage.

Lettuce Import by Year and by Country
(HS Code: 0705.11.0000)

Value: \$1,000 Volume: Metric Ton

		China	U.S.	Import Total	Domestic Production	Consumption
2004	Value (\$1,000)	\$39	\$280	\$319		
	Volume (MT)	59 MT	265 MT	324 MT	23,500 MT	23,824 MT
2005	Value	147	267	414		
	Volume (\$0.59/Kg)	248 (\$0.59/Kg)	231 (\$1.16/Kg)	479	27,700	28,179
2006	Value	479	331	810		
	Volume (\$0.61/Kg)	790 (\$0.61/Kg)	272 (\$1.22/Kg)	1,062	25,300	26,362
2007	Value	1,256	694	1962		
	Volume (\$0.69/Kg)	1,830 (\$0.69/Kg)	665 (\$1.04/Kg)	2,500	22,200	24,700
2008	Value	1,619	492	2,111		
	Volume (\$0.77/Kg)	2,110 (\$0.77/Kg)	510 (\$0.96/Kg)	2,620	22,200	24,700

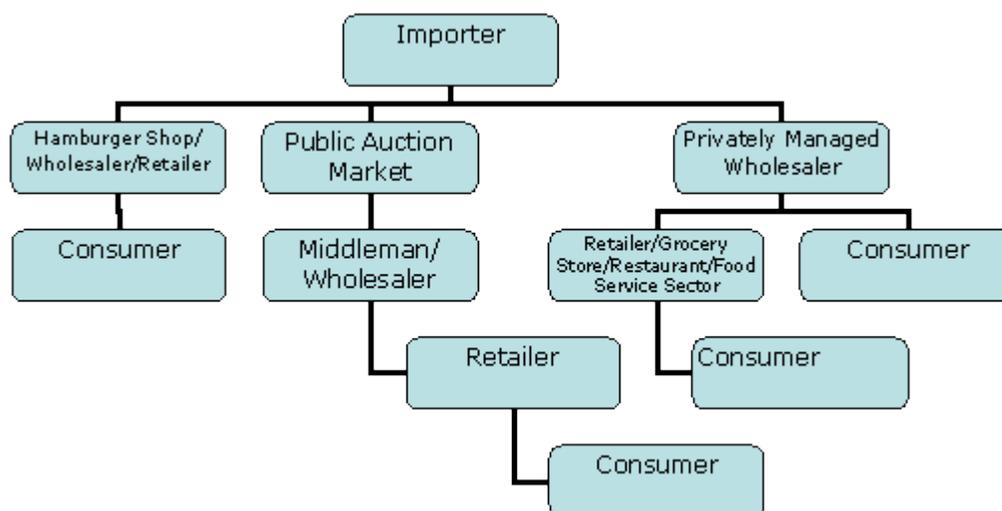
Source: Korea Trade Information Service

SECTION III. COSTS AND PRICES

The annual average retail price of lettuce for consumers is \$1.5 (One US Dollar = 1,300 Korean Won) per medium sized head in supermarket retail stores. Most locally produced lettuce is supplied to retail shops and food service industry at about \$8 - \$10 per 10 Kilo gram box and imported lettuce is supplied at \$10 - \$19 per 10 Kilo gram box. However, prices fluctuate based on weather and supply conditions.

Korea is an efficient producer of lettuce and production is large enough to achieve cost advantages. The retail price of imported lettuce is often two times higher than local produce.

Distribution Channel



SECTION IV. MARKET ACCESS

The Ministry of Agriculture and Forestry's (MAF) National Plant Quarantine Service (NPQS) is responsible for preventing the introduction of harmful weeds, pests and diseases originating from imported plants, fruits and vegetables. NPQS conducts pest risk analysis and determines the appropriate eradication methods for detected pests. Lettuce from the United States must be accompanied by a phytosanitary certificate issued by the Animal and Plant Health Inspection Service (APHIS), U.S. Department of Agriculture.

1. Labeling Requirements

Packaged lettuce is subject to Korea's country of origin labeling laws. Lettuce packed in a container; bag or box must have a country of origin label on the container, bag, or box with the appropriate Korean language label. All imported agricultural products are required to include the product name, producer name, manufacture date (packing date or packing year), net quantity of contents, and storage and handling instructions on the Korean language label.

2. Grading or Quality Standards

No grading or quality standards have been set for lettuce with the exception of organic lettuce. Organic lettuce must be certified by the National Agricultural Product Quality Management Service (NAQS) or its accredited certifying agents. USDA/NOP organic certification is not accepted by Korea for fresh produce.

3. Import Procedures and Testing Requirements

The Korea Customs Service (KCS), Korea Food and Drug Administration (KFDA), and National Plant Quarantine Service (NPQS) are agencies involved in the import clearance process for fresh lettuce. KCS is responsible for ensuring that all necessary documentation is in place before the product is released from bonded storage. KCS and KFDA work within the same Electronic Data Interchange (EDI) system, which allows KFDA inspection results to be transmitted to KCS quickly, shortening the KCS clearance time. NPQS must clear fresh lettuce before KCS will clear them.

The first shipment of fresh lettuce by each U.S. supplier will be subject to a mandatory inspection including pesticide residue testing by KFDA. Once it passes KFDA inspection, subsequent shipments from the same supplier will not be subject to mandatory laboratory inspections. However, all fresh lettuce is still subject to random testing by KFDA. In addition to KFDA's inspection, fresh lettuce is also subject to phytosanitary quarantine inspection by NPQS. NPQS will check for the presence of quarantine pests and if detected, take the necessary measures.

4. MRL Standards

KFDA establishes and enforces MRLs standards. CODEX values are the principal default levels when no KFDA MRLs have been established. This means that other tolerance levels, such as CODEX, etc., are not accepted when an MRL is established for a given pesticide in the Korean Food Code. In the absence of CODEX standards for lettuce, MRLs set for a similar crops apply.

Korean MRL Standards for Lettuce

Pesticide	PPM	Pesticide	PPM	Pesticide	PPM
2,4-Dichlorophenoxy acetic acid	0.1	Endrin	0.01	Methomyl	5.0
Acephate	5.0	EPN	0.1	Methoxychlor	14.0
Aldirn & Dieldrin	0.01	Ethionfencarb	10.0	Metribuzin	0.5
Bentazone	0.2	Ethoprophos	0.02	Mevinphos	0.5
BHC	0.2	Etrimfos	0.2	Omethoate	0.01
Carbaryl(NAC)	1.0	Fenbutatin oxide	2.0	Oxadixyl	0.1
Captan	5.0	Fenitrothion	0.2	Oxamyl	1.0
Carbendazim	5.0	Fenthion	0.5	Parathion	0.3
Carbofuran	0.1	Fenvalerate	2.0	Parathion-methy	10.5
Chinomethionat	0.5	Flucythrinate	2.0	Pendimethalin	0.2
Chlorothalonil	5.0	Flutolanil	0.7	Permethrin	2.0
Chlorpropham	0.05	Fluquinconazole	1.0	Phosphamidone	0.1
Chlorpyrifos	0.1	Fluvalirate	0.5	Phoxim	0.1
Cyfluthrin	2.0	Folpet	2.0	Pirimicarb	1.0
Cyhalothrin	2.0	Glufosinate-ammonium	0.2	Pirimiphos-methyl	2.0
Cypermethrin	2.0	Glyphosate	0.2	Procymidone	5.0
Cyromazine	5.0	Imidacloprid	3.5	Propamocarb	10.0
DDT	0.2	Iprodione	10.0	Pyrethrins	1.0
Deltamethrin	0.5	Malathion	2.0	Pyrimethanil	3.0
Diazinon	0.1	Maleic hydrazide	25.0	Quintozene(PCNB)	3.0
Dichlofluanid	10.0	Mepanipyrim	3.0	Sethoxydim	10.0
Dichlorvos(DDVP)	0.3	Metalaxyl	2.0	Tecnazene	2.0
Dicloran	10.0	Methamidophos	1.0	Thiobencarb	0.2
Dicofol	1.0	Methidathion	0.2	Thiometon	0.5
Dimethoate	2.0	Methiocarb	0.2	Tolyfluanid	1.0
Tralomethrin	0.5	Trichlorfon	0.5	Triflumizole	1.0
Trifluralin	0.05	Vinclozolin	2.0		

Source: Korea Food and Drug Administration (KFDA)

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office

Korean Address: Room 303, Leema Building
146-1, Susong-dong, Chongro-ku, Seoul, Korea

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

Telephone: 822 397-4188 Fax: 822 720-7921

E-mail: atoseoul@fas.usda.gov Website: www.atoseoul.com

Agricultural Affairs Office

Korean Address: U.S. Embassy, 32, Sejong-ro
Chongro-ku, 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

For further information about sanitary and phytosanitary requirements, please contact:

USDA, Animal Plant and Health Inspection Service (APHIS)

Korean Address: Room 303, Leema Building
146-1, Susong-dong, Chongro-ku, 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

Website: www.aphis.usda.gov

U.S. Address: USDA, APHIS, PPQ
4700 River Road, Unit 140
Riverdale, MD 20737

Telephone: 301-734-8262 Fax: 301-734-7639

For more information about the Korean market, please review the Exporter's Guide (KS8053) at <http://www.fas.usda.gov/gainfiles/200809/146295912.pdf> and the FAIRS Country Report (KS8044) at <http://www.fas.usda.gov/gainfiles/200807/146295313.pdf>. More Korea specific reports can be found at <http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>.

General information about the Korean Market can be found on the Agricultural Trade Office Website at <http://www.atoseoul.com/> or about the Foreign Agricultural Service at <http://www.fas.usda.gov/>