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Korea - Republic of

Food Processing Ingredients

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Report Highlights:

Korea is a major importer of raw materials and ingredients for food processing. About 70 percent of food products in Korea are imported. The United States was the largest supplier of agricultural, food, fishery and forestry products to Korea, with a 24 percent market share in 2009. The size of the Korean food processing industry is estimated at \$50 billion for 2008. U.S. ingredients for use in food processing have a strong opportunity in Korea. U.S. market share should increase after implementation of the Korea-U.S. Free Trade Agreement which is expected to generate more opportunities for U.S. food processing ingredients than any agreement since NAFTA.

Post:

Seoul ATO

Author Defined:**SECTION I. Market Summary**

The gross output of the Korean food processing industry, including animal feed, beverages and seafood, is estimated at \$50.4 billion (55.7 trillion won, \$1 = 1103 won) in 2008, up from 48.1 trillion won in 2007. The sector is composed of about 4,061 enterprises (with employment size of 10 workers or more) and about 160,000 workers.

The total imports of agricultural, food, fishery and forestry in 2009 are estimated at almost \$20 billion from the world. With \$4.6 billion in sales in 2009, the United States is estimated to account for 24 percent of Korean agricultural and food imports. Due to the lack of arable farmland, high production costs and growing food requirements, Korea has been a major importer of basic foodstuffs for further processing. Korea imports about 70 percent of total agricultural product needs. The United States, China, European Union (EU) and Australia are the major agricultural exporters to Korea. With a territory about the size of the state of Indiana and population of 50 million, Korea is the 5th largest market for U.S. agricultural products.

Chart 1: Output of Food Processing Industry by Sector in 2008

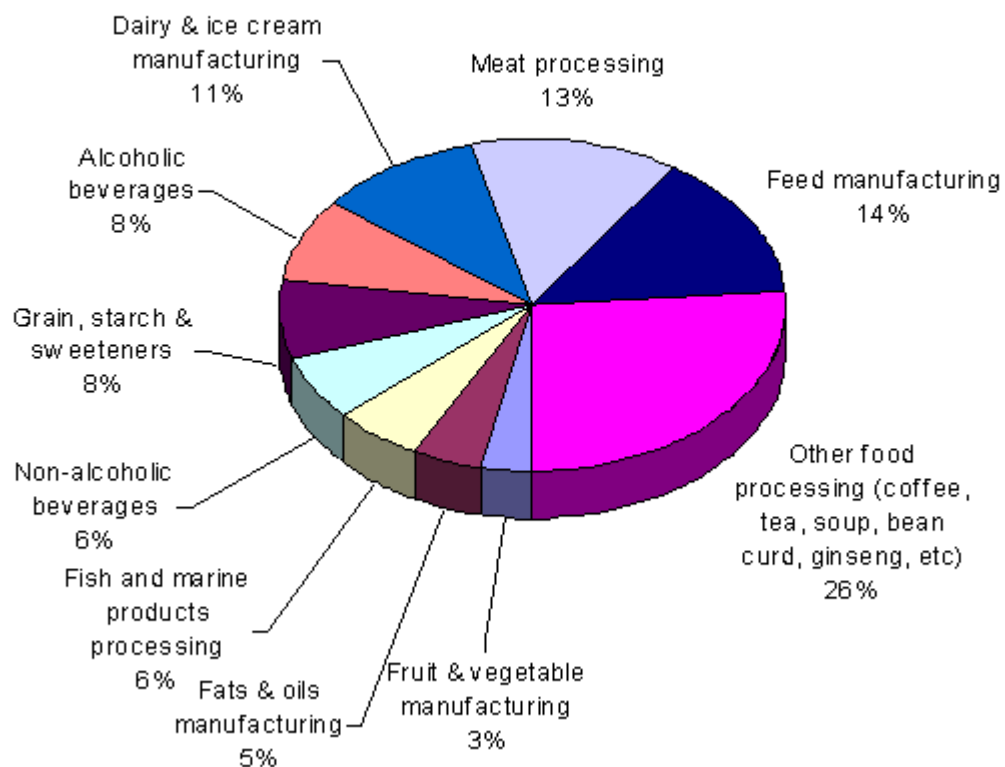
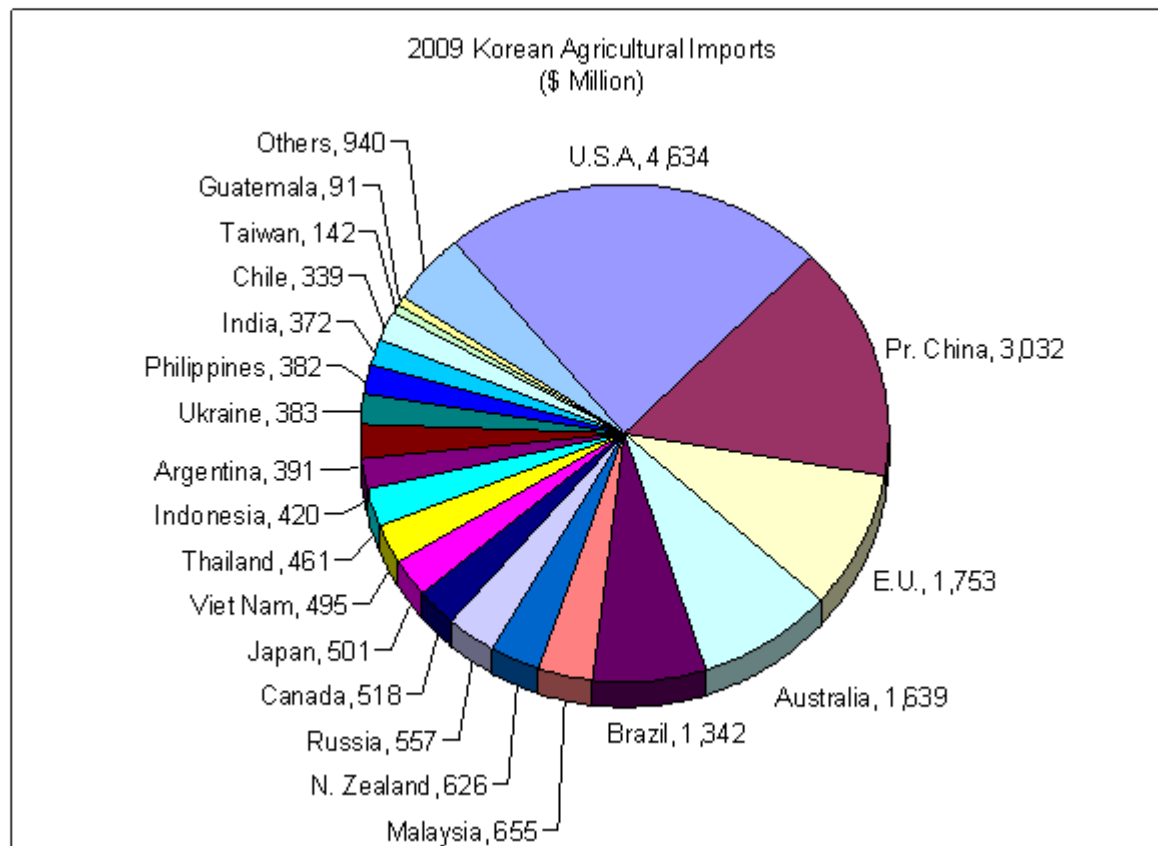


Chart 2: Total Agricultural Imports in 2009 by country



Korea imports a broad range of basic, intermediate and semi processed agricultural products. Corn, soybeans, wheat, essential oils, frozen concentrated orange juice, almonds, walnuts, powdered milk, whey powder, beef, pork, beef tallow, seafood, processed fruits and vegetables, coffee, potato products, vegetable oils and cocoa products exemplify the raw materials and ingredients imported into Korea for use in food processing. U.S. suppliers have a strong opportunity to export inputs for use in food processing in Korea.

The United States was the largest supplier of agricultural, food, fishery and forestry products to Korea, with a 23.6 percent market share in 2009, followed by China with 15.4 percent, the EU with 8.9 percent, Australia with 8.3 percent and Brazil with 6.8 percent. These five countries accounted for about 63 percent of the total Korean agricultural, food, fishery and forestry product imports in 2009.

Table 1. Advantages and Challenges for U.S. Food and Fishery Products

Advantages	Challenges
U.S. food is perceived as equal or superior quality relative to domestic products.	Changes in food regulations compounded by language barrier.
Increasing affluence of Koreans is shifting consumer focus from price to quality.	Food safety concerns. Non-acceptance of biotechnology. BSE issue is still lingering.
Local supply of agricultural products is limited.	Onerous inspection/customs clearance procedures.
KORUS FTA when ratified, will make U.S. products more competitive with other foreign suppliers.	Korea has entered or is ready to enter into FTA negotiations with many of our competitor countries, including the EU.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

When considering the Korean market, exporters should conduct preliminary research to determine if the market is appropriate for their product. It may not be possible to market the exact same product in Korea as in the United States. Korean consumers may have different demands and Korea has different tolerances for some additives and preservatives.

A good place to start is by reviewing the Attaché reports for Korea on the FAS website (see Section VI of this report). Some of these reports are also available on the U.S. Agricultural Trade Office website. In addition, information from Korean importers, U.S. state departments of agriculture and the U.S. Department of Commerce (for non-agricultural products) could be helpful. In particular, the "Country Commercial Guide" includes a wide variety of useful information. Register for access to the Country Commercial Guide at:

<http://www.buyusa.gov/korea/en/> Lists of Korean importers, by product, can also be obtained from the U.S. Agricultural Trade Office.

The next step might include sending catalogues, brochures, product samples, and price lists to prospective importers as a way of introducing the company and products. Once contact with an importer is established, it is advisable to visit the importer(s) in person, which will increase the seller's credibility with the Korean importer and give an opportunity to see the Korean market first hand. There is no substitute for face-to-face meetings. The supplier or exporter should bring samples as well as product and company brochures including price lists, shipping dates, available quantities, and any other information needed for negotiating a contract. While information in English is acceptable, having it in Korean is helpful. A general overview of your firm in Korean is a

good place to start.

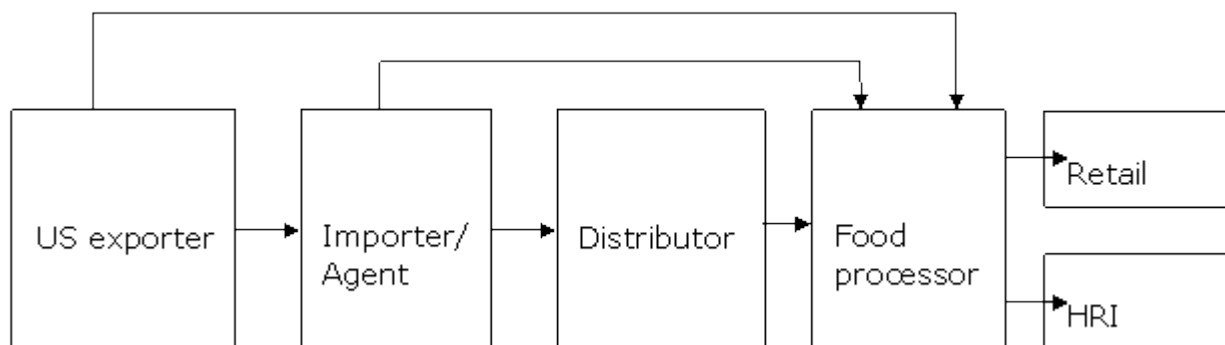
Another way of finding potential importers is to participate in a local food show to showcase your products to a larger audience. Many Korean importers attending these shows are looking to establish reliable long-term trading relationships. Show participation enhances initial contacts with importers,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

Currently, there are two trade shows supported by ATO Seoul in Korea. The Food & Hotel Korea 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. It is the only "trade only" show in Korea. All other shows cater mostly to consumers. Another show is the "Busan International Seafood and Fishery Expo 2010" which will be held in Busan, the second largest city in Korea, in the middle of November 2010.

American companies should be sensitive to the uniqueness of the Korean market. An approach or a product that was successful in another market does not necessarily ensure the same tactic will be applicable to Korea. It will be necessary to renew the product design, packaging and market approach for the Korean situation, requirements and tastes. A well-developed relationship with a Korean importer is an asset when determining how best to market a product.

B. MARKET STRUCTURE

The chart below gives an overview of the usual distribution channel for imported food ingredients from U.S. exporters to Korean food processors.



Large food processing companies often prefer to purchase from local importers, agents or distributors when the quantities they require are small. These large companies generally tend to buy food ingredients directly from overseas suppliers when their supply quantities become large.

C. COMPANY PROFILES

Below is a table with profiles of the major Korean food manufacturing companies with sales of \$500 million or more in 2008. Information includes company sales, the main end-use channels, procurement channels and contacts.

Table 2. Company Profiles

Company Product types	Sales in 2008 (\$Mil)	End-use Channel	Plant Location	Procurement Channels	Contacts
Nong Shim (Instant noodles, snacks, beverages)	1,519	Retail and HRI	Asan-city Chungna m	Direct and other importers	*P. 02-820-7114 *F. 02-820-7044 *W. nongshim.com
Dongwon Industries Co., Ltd. (Fish, food stuffs)	546	Retail and HRI	Sungnam- city Kyunggi-do	Direct and other importers	P. 02-589-3333 F. 02-589-4397 W. dw.co.kr
Lotte Chilsung (drinks, alcohol, juices, coffee)	1,071	Retail and HRI	Seoul	Direct and other importers	P. 02-3479-9114 F. 02-535-8619 W. lottechilsung.co.kr
CJ Cheiljedang Corp. (sugar, wheat flour, mixed feeds, soy milk)	3,169	Retail and HRI	Jinchun Chungbuk	Direct and other importers	P. 02-726-8114 F. 02-726-8112 W. cj.co.kr
Dong Suh Foods (Coffee, tea, honey, cereal)	1,053	Retail and HRI	Jinchun Chungbuk	Direct and other importers	P. 032-500-3333 F. 02-714-9412 W. dongsuh.co.kr
Lotte Confectionery (Confectionery)	1,129	Direct and other importers	Seoul	Direct and other importers	P. 02-2670-6114 F. 02-6672-6600 W. lotteconf.co.kr
Haitai Confectionery(confectionery, ice cream)	500	Retail and HRI	Chunan Chungnam	Direct and other importers	P. 02-709-7766 F. 02-797-0887 W. ht.co.kr
Orion Corp (confectionery, chewing gum & snacks)	506	Retail and HRI	Chungju Chungbuk	Direct and other importers	P. 02-710-6000 F. 02-719-2582 W. orionworld.com
Ottogi Corp (ketchup, mayonnaise, curry, vinegar, edible oils)	1,135	Retail and HRI	Anyang Kyunggi	Direct and other importers	P. 031-421-2122 F. 031-421-2140 W. ottogi.co.kr
Samyang Corp (Sugar, edible oils, animal feeds)	1,186	Retail and HRI	Daejon	Direct and other importers	P. 02-740-7114 F. 02-744-4005 W. samyang.co.kr
Namyang Dairy (Processed milk products, beverages, tea)	801	Retail and HRI	Gongju Chungnam	Direct and via other importers	P. 02-734-1305 F. 02-733-4919 W. namyangi.com
Cargill Agri Purina Inc. (feed)	561	Retail and HRI	Wonju Kangwon	Direct and via other importers	P. 031-710-6000 F. 031-710-6102 W. agribands.co.kr
Nonghyup Feed (Mixed	1,006	Retail and	Hwaesung	Direct and via	P. 02-2224-8524

feeds)		HRI	Kangwondo	other importers	F. 02-2224-8519 W. nonghyupsaryo.co.kr
Dae Sang Corp (seasonings, food additives, starch)	843	Retail and HRI	Yongin, Kyunggido	Direct and via other importers	02-2220-9500 02-2220-9879 W. daesang.co.kr
Ts Corp.	1,069	Retail and HRI	Chungwon Chungbuk	Direct and via other importers	P. 032-770-1400 F. 032-770-1601 W. ts.co.kr
Dongwon F&B (Canned product, beverages, meat products)	679	Retail and HRI	Chungju Chungbuk	Direct and via other importers	P. 02-589-3000 F. 02-589-3291 W. dw.co.kr/food
Doosan Corp (Beverages, alcohol)	1,361	Retail and HRI	Kangnung Kangwon	Direct and via other importers	P. 02-3398-1121 F. 02-3398-1135 W. doosancorp.co.kr
Maeil Dairy Co. (butter, milk powder, milk, yogurt)	675	Retail and HRI	Asan Chungnam	Direct and via other importers	P. 02-2127-2114 F. 02-3675-6290 W. mail.com
Binggrae Co.(ice cream and dairy drinks)	538	Retail and HRI	Nonsan Chungnam	Direct and via other importers	P. 02-2022-6000 F. 02-2022-6201 W. bing.co.kr
Jinro (alcohol)	667	Retail and HRI	Chungwon Chungbuk	Direct and via other importers	P. 02-520-3114 F. 02-520-3453 W. jinro.co.kr
KT&G (ginseng products and cigarettes)	2,398	Retail and HRI	Kwangju	Direct and via other importers	P. 042-939-5000 F. 042-939-5128 W. ktng.com
Korea Ginseng Corp. (ginseng)	564	Retail and HRI	Buyo Chungnam	Direct and via other importers	P. 042-600-0333 F. 042-600-0319 W. kgc.or.kr
Korea Yakult Co.(milk products)	920	Retail and HRI	Nonsan Chungnam	Direct and via other importers	P. 02-3449-6000 F. 02-3449-6655 W. yakult.co.kr

*P stands for phone number, *F for fax number and *W for Website.

Note: Country code for Korea is 82. The "0" of the city code is dropped when calling from abroad.

D. SECTOR TRENDS

Some Korean food processors like Nong Shim, CJ, Lotte Confectionery, Sam Yang Corp. and other food companies have investments in China, USA, Russia, Vietnam and Chile, etc. Some of these companies sell their final products in the foreign countries and also export them to other countries as well as to Korea. Some U.S. companies like Baskin Robbins Korea, Cargill Agri Purina, Coca Cola, and Kellogg have invested in Korea to produce food, feed, ice cream and soda products in Korea as sole investors and/or joint ventures.

The Korean food and beverage manufacturing and processing industry is a major users of imported raw materials, intermediate products, ingredients and additives. Imports are necessary to support the processing industry due to limited local supply in terms of quantity and variety. The area of cultivated land was 1,758,795 hectares in 2008, accounting for about 18 percent of the total land of Korea.

Korea has a diverse food-processing sector. Concurrently, Korean consumers exhibit a tendency for goods produced in Korea, while still seeking an expanding variety of products. Increased buying power, international travel and cosmopolitan living, all lend to growing demand for a diversity of locally produced food items.

Table 3. Output of Food Processing by Sector: 2008

Sector	Output (Billion Korean won)	Percentage
Fruit & vegetable manufacturing	1,851	3.3%
Fats & oils manufacturing	2,507	4.5%
Fish and marine products processing	3,076	5.5%
Non-alcoholic beverages	3,494	6.3%
Grain, starch & sweeteners	4,324	7.8%
Alcoholic beverages	4,585	8.2%
Dairy & ice cream manufacturing	5,863	10.5%
Meat processing	7,408	13.3%
Feed manufacturing	7,918	14.2%
Other food processing (coffee, tea, soup, bean curd, ginseng, etc)	14,606	26.3%
Total	55,632	100.0%

The average exchange rate in 2008: 1103 won = \$

Most Korean food and beverage manufacturers are small-scaled companies. As of the end of 2008, there were 4,061 food, livestock, dairy and beverage manufacturing companies with a labor force of ten or more across Korea. Of these there are only 14 manufacturers with 500 employees or over as shown on the following table. Only 7.5 percent (304 manufacturers) have 100 or more employees.

Table 4. Employment Size of Food and Beverage Manufacturers: 2008

No. of Employees	No. of Manufacturers	Percent
19-10	1,985	48.9%
20-49	1,324	32.6%
50-99	448	11.0%
100-199	206	5.1%
200-399	56	1.4%
300-499	28	0.7%
500 and Over	14	0.3%
Total	4,061	100.0%

In 2008, the average rate of Korea's self-sufficiency in major grains and agricultural products is

estimated at 26.2 percent - rice at 94.4 percent, barley at 36.1 percent, wheat at 0.4 percent, corn at 0.9 percent, pulses at 7.1 percent, potatoes at 98.5 percent and others at 7.7 percent.

In 2009, Korea imported 3.8 million metric tons of wheat (1.8 million tons from Ukraine and 1.1 million tons from USA) valued at \$656 million (\$358 million from Ukraine and \$310 million from USA), 7.3 million tons of corn (5.9 million tons from USA and 722,000 tons from Brazil) valued at \$1,638 million (\$1,324 million from USA and \$162 million from Brazil) and 1.1 million tons of soybeans (506,000 tons from Brazil and 406,000 tons from USA) valued at \$592 million (\$248 million from Brazil and \$210 million from USA). U.S. suppliers have a strong opportunity to export raw materials or ingredients for use in food processing in Korea.

There are a total of 8 wheat flour millers with 11 milling plants in Korea. Almost one hundred percent of wheat for flour milling is imported. Most milling wheat is imported from the United States, Ukraine, Australia, Canada and Russia. The types and quality of U.S. wheat imported into Korea are SW (soft white) wheat for cake flour, KRW (hard red winter) wheat for all-purpose, HRS (hard red spring) wheat for bread flour. However, Australian wheat is used for noodles and snacks, Canadian wheat is used for bakery, and Ukrainian wheat is used for all-purposes. The flour market has grown for many years along with increasing per capita income and dietary changes from rice to wheat-based food. However, per capita consumption of wheat appears to have stabilized at 33.7 Kg. in 2008.

No sugar cane or sugar beets are produced in Korea. Accordingly, all raw sugar is imported. There are currently three sugar-refining companies in Korea with a total annual production of about 1.4 million metric tons in 2008, 71 percent of which is consumed domestically and the remaining 29 percent is exported to other countries. Sugar is widely used in food sectors, including confectionery, jam and jelly, powdered milk, bakery, cake, beverages and fruit based alcohol. Per capita consumption of wheat in Korea is about 25 Kg. The total demand for sugar in Korea is not changing much.

There are 4 companies in Korea which produce starch and starch syrup with corn as a chief raw material. The total amount of corn used in starch and starch syrup production is about 2 million metric tons annually. The corn used in this sector is mostly imported from the United States, Brazil and Argentina. Starch and starch syrup are also used in a wide variety of products such as beverages, confectionery, bakery, ice, beer, etc.

Local eating habits have changed dramatically in recent years. A diet that had long been based on rice became progressively more centered on wheat and animal protein. At the same time, consumers sought more diversity and became more quality oriented. Consumption of fish, fruits, vegetables, marine plants and edible oil increased. Consumer preferences also shifted toward foods that were convenient to cook rather than those that require lengthy preparation. At the same time, demand for greater quality in terms of flavor and nutrition increased, a sharp departure from a diet that previously emphasized caloric content. Consumers became more

health and safety conscious in their food buying habits as ingredients, packaging, shelf life, safety and environmental concerns became important determinants of purchasing behavior.

Spending habits also became diversified as individual preferences and a wider variety of foods became available to meet consumer demand. These shifts toward quality, variety, convenience, safety and health resulted not only increased consumption of processed food, but also stimulated the growth of the domestic food processing industry.

Korean consumers also like natural, fresh food products, such as health foods, functional foods and diet foods. Koreans perceive organic, low-chemical or other "natural" products as healthy products in line with the recent trend in Korea focusing on the so-called "well-being" lifestyle. As a result, the market for organic and "natural" foods is a segment that has been developing rapidly. Koreans have always looked to their food to provide a functional or health benefit and foods made without the use of pesticides or insecticides appeal to Korean consumers.

Traditionally, Korean dishes require a lot of preparation time. Small restaurants specializing in only a few dishes are still common. Home preparation, however, is becoming increasingly rare. For home consumption, busy consumers can purchase ready-made local-style food items such as Kimchi or bulgogi (thin-sliced marinated beef) at local grocery or convenience stores.

It is also important to note that Korean consumers are very sensitive to food safety issues. They tend to get their information through the media and trust it in spite of the often misleading information. Once a "food scare" rumor gets publicity, that food is affected and its reputation is quickly damaged.

Korea processed about 1.77 million tons of fish and seafood in 2008. Imported seafood products are utilized for both domestic consumption and re-export. Seafood is imported into Korea from about 100 different countries. Major suppliers of fishery products to Korea include China, Russia, Vietnam, Japan, the United States, Taiwan, Thailand and Chile. In 2009, these eight supplying countries accounted for about 80 percent of total Korean seafood imports on a value basis. China continued to be the largest seafood supplier to Korea, followed by Russia and Vietnam.

Chile has emerged as one of the major competitors. Thanks to the implementation of the Korean/Chilean Free Trade Agreement (FTA) in 2004, agricultural imports from Chile surged from \$102 million in 2003 to \$339 million in 2009. Korea only imported \$102 million from Chile in 2003 before the FTA with Chile. Importers are paying more attention to Chilean products because of no customs duties or lower duties compared to other countries. The effects of the FTA will be realized more over the long term when the Customs duties decline further or become zero.

Table 5. Korean Production of Processed Seafood Products by Group (M/T)

Product	2005	2006	2007	2008
Dried/Salted/Cooked	58,343	69,259	37,094	68,048
Preserved/Pickled	43,534	42,998	30,991	54,519
Canned	138,585	149,487	119,584	73,578
Frozen	1,023,801	1,033,060	1,065,522	1,139,905
Dried Seaweed	153,597	135,668	13,659	157,281
Agar-Agar	443	329	4,642	8,985
Ground Fish Meat	88,290	69,350	171	206
Flavor Seasoned	19,759	19,500	72,913	107,465
Fish Meal and Oil	11,739	7,618	13,421	96,701
Others	21,830	19,515	26,003	66,491
Total	1,559,201	1,546,784	1,384,000	1,773,179

Source: Food, Agriculture, Forestry and Fisheries Statistical Yearbook 2009

Table 6. Food Grain Self-sufficiency Ratio in 2007 in Korea

	Total	Rice	Barley	Wheat	Corn	Soy Beans	potatoes	Others
A*	27.2%	95.8%	48.3%	0.2%	0.7%	11.1%	98.4%	9.8%
B*	51.6%	95.8%	52.3%	3.2%	3.2%	34.5%	109.1%	10.4%

A* represents self-sufficiency Ratio including feed

B* represents self-sufficiency Ratio for food only

Source: Food, Agriculture, Forestry and Fisheries Statistical Yearbook 2009

Table 7. Korean Seafood Demand and Supply

Year	Local Consumption 1,000 Metric tons	Local Production 1,000 Metric Tons	Self-sufficiency Rate (%)
2002	3,434	2,476	72.1
2003	3,578	2,486	69.4
2004	3,922	2,519	64.2
2005	4,169	2,714	65.1
2006	4,568	3,032	66.4
2007	4,621	3,271	70.8
2008	4,280	3,360	78.5

Source: MFAFF Major Statistics Booklet 2009

Table 8. Korean Per Capita Supply of Seafood Products**Kilogram**

	2002	2003	2004	2005	2006	2007
Fish and Shell fish	36.3	38.5	41.1	39.9	43.5	40.6
Seaweed	8.4	6.4	7.9	9.6	13.0	14.4
Total (kg/year)	44.7	44.9	49	48.1	56.5	55.0

Source: Korea Rural Economic Institute Homepage

Table 9. Total Seafood Imports by year (\$1,000)

Year	From World	From USA
2002	1,820	165
2003	1,900	144
2004	2,189	129
2005	2,301	144
2006	2,664	140
2007	2,954	132
2008	2,847	129
2009	2,605	113

Source: KOTIS, compiled by ATO Seoul

Table 10. Major Fish Imported to Korea from USA in 2008 (\$1,000)

Fish Species	USA	Total
Pollack surimi, frozen	50,980	52,854
Monkfish, fresh and frozen	14,799	74,739
Hagfish, frozen	6,659	10,030
Cod, frozen	6,510	21,292
Skate, frozen	5,427	31,905
Other flat fish, frozen	5,386	19,025
Other roes, frozen	4,921	15,827
Salad eel, live	4,482	10,799
Roes of Alaska Pollack, frozen	4,185	32,557
Atka mackerel, frozen	4,119	21,301
Other fish surimi, frozen	2,476	141,287
Ray, frozen	2,352	19,357
Prepared sea cucumber	2,032	9,390
Rock fish, frozen	1,768	8,063
Fillet, Alaska Pollack, frozen	1,716	32,385
Abductors of shell fish, frozen	1,269	6,094
Other Fillet, chilled	1,066	1,641
Sable fish, frozen	993	1,023
Rock lobster, frozen	929	2,573
Sardines, frozen	895	4,166
Other mollusks, frozen	548	9,885
Fillet, Plaice, frozen	546	951
Toothfish, frozen	545	1,936
Fillet, others, frozen	501	26,494
Other shrimps, frozen	493	115,987
Plaice, frozen	438	3,205
Scallops, frozen	433	9,479
Lobsters, other than frozen	377	15,512
Total	126,845	699,757

Source: Statistical Year Book of Foreign Trade 2008, Korea Customs Service

Chart 3. Korean Surimi Production (Tons)

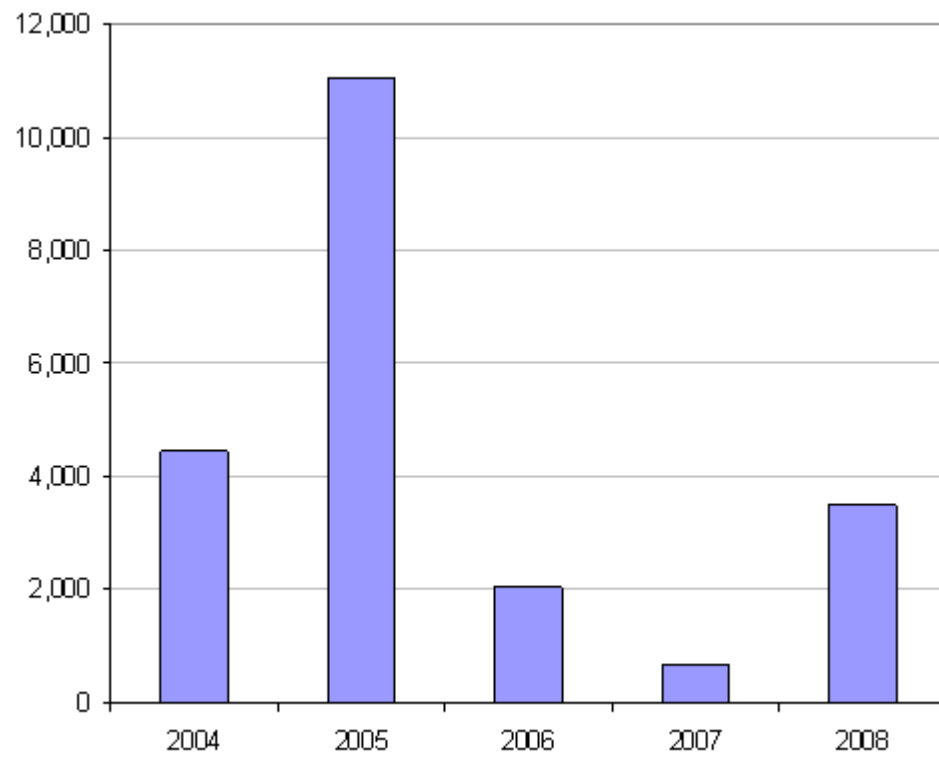
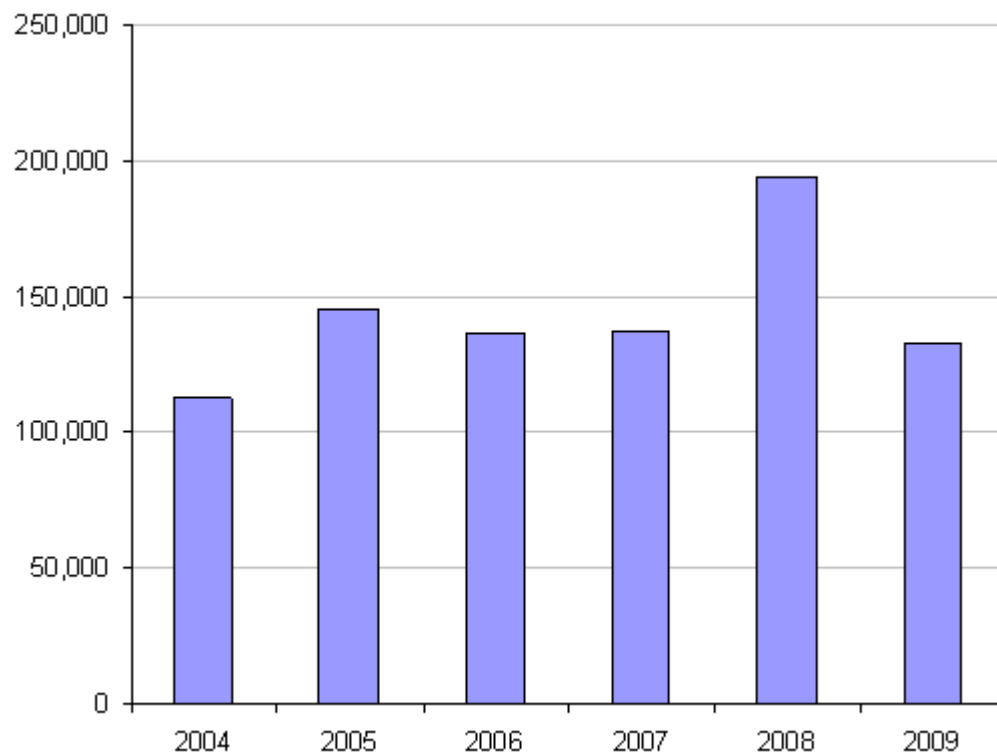


Chart 4. Korean Surimi Imports (\$1,000)



SECTION III. COMPETITION

The United States is the largest supplier of agricultural products to Korea with a 24 percent market share in 2009. However, the U.S. competes with many other countries for market share in Korea. All of the following items compete with U.S. products: beef with Australia, pork with E.U., Chile and Canada, poultry with Brazil, fish with China and Russia, dairy products with E.U., New Zealand and Australia, prepared fruits and vegetables with China, sugar confectionery with Vietnam, China and E.U., wines with E.U. and Chile, oilseeds with Brazil, animal feeds with China and E.U., sauces and condiments with China and Japan, coffee, tea and spices with Vietnam, Columbia and Brazil, animal and vegetables oils and fats with Argentina, Malaysia and E.U., prepared seafood with China and Vietnam, and chocolate with E.U.

A brief review of imports by major product category follows. The market shares stated in this section are based on 2009 Korean imports.

Table 11. Major Imports by Product Category by Origin: 2009

Product Category	Import Market Size in 2009 (\$Mil)	Major Supply Sources in 2009	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Beef (HS 0201 & 0202)	797	Australia (55%) USA (34%) N. Z. (10%)	Australia has clean and safe image. US quality and taste good, and prices reasonable.	Local beef quality and taste are good but prices are high.
Pork (HS 0203)	672	EU (38%) USA (27%) Chile (18%) Canada (15%)	EU prices are reasonable and custom-order is possible. U.S. is strong in belly and consistent in quality and supply.	Local quality is good and production is large, but prices are high.
Poultry meat (HS 0207)	108	Brazil (57%) USA (39%)	Brazilian quality is good and custom-order is possible. U.S. prices are competitive in chicken legs.	Young chicks are preferred in soups and almost all feed ingredients are imported.
Fish and seafood products (HS 03)	2,335	China (32%) Russia (19%) Vietnam (10%) Japan (8%) USA (5%)	Chinese and Russian prices are competitive and closer to Korea. U.S. fish is of high quality.	Local supply is short and local fish is considered as high quality.
Dairy products (HS 04)	335	EU (27%) N. Z. (21%) Australia (19%) USA (16%)	The prices of EU, Australia and New Zealand are competitive. U.S. brands and tastes are preferred to competitors.	Local production cost is high and most feed ingredients are imported.
Prepared fruits and vegetables (HS 2001-8)	415	China (47%) U.S. (27%) Thailand (5%) EU (5%) Philippines 5%)	U.S. quality is high and prices are competitive. Chinese prices are low.	Local production cost is high.
Sugar Confectionary products (HS 1704)	63	Vietnam (27%) China (21%) EU (14%) USA (14%) Japan (10%)	Vietnam and Chinese prices are competitive. EU quality is high.	All raw sugar is imported in Korea.
Wines (HS 2204)	112	EU (57%) Chile (21%) USA (10%) Australia (7%)	French wines are accepted as high quality. No duties for Chilean wines due to	Local production is very little, if any. More Koreans are drinking wines.

			the FTA. U.S. wines are becoming popular.	
Tree nuts (HS 0801 & 0802)	110	USA (89%) India (4%)	U.S. has no major competitors for most tree nuts	No almond is produced in Korea and walnut is short of supply.
Bakery products (HS 1905)	115	USA (40%) EU (17%) China(13%) Japan (11%)	U.S. and EU biscuits, cookies and crackers are of high quality.	Most ingredients are imported in Korea.
Citrus products (HS 0805)	92	USA (91%) Chile (4%) S. Africa (3%)	U.S. has no major competitors.	Local production of oranges is almost non-existent.
Fruit juices (HS 2009)	119	USA (31%) Brazil (20%) EU (13%) Chile (8%) Israel (7%)	Brazil is a stable and cheap supplier of FCOJ and the U.S. FCOJ is of high quality.	No FCOJ is produced.
Grains (HS 10)	2,870	USA (60%) Ukraine (13%) Australia (8%) China (6%) Brazil (6%)	U.S. is competitive in most grains.	Almost all grains are imported in Korea.
Oilseeds (HS 1201-7)	779	Brazil (32%) USA (30%) China (28%)	U.S. is a stable and high quality supplier.	Short of supply in Korea.
Animal feeds (HS 2309)	180	China (27%) USA (23%) EU (21%) Australia (8%) Japan (7%)	Chinese prices are competitive while U.S. and EU pet foods are of high quality.	Almost all feed ingredients are imported.
Sauces & condiments (HS 2103)	144	China (47%) Japan (24%) USA (13%)	Chinese sauces are competitive in price and Japanese is of high quality.	Koreans have their own traditional sauces and condiments.
Coffee, tea and spices (HS 09)	321	Vietnam (20%) Columbia 16%) Brazil (13%) Honduras (9%) China (8%) USA (7%)	Chinese prices are competitive in red pepper and Vietnam, Indonesia, Columbia and Honduras are competitive in coffee beans.	Korean prices of red pepper are high. Korea does not produce coffee beans.
Animal and vegetable oils and fats (HS 1501-18)	892	Argentina (23%) Malaysia (23%) EU (12%) USA (10%) Canada (8%)	Argentina is strong in soybean oil, Malaysia strong in palm oil, U.S. strong in beef tallow, soybean oil and edible mixed oils.	Korean does not produce many ingredients.
Processed	278	China (25%)	China is strong in	Korea does not

seafood (HS 1604 & 1605)		Vietnam (24%) EU (10%) Peru (8%) Thailand (4%)	prepared fish and Vietnam is strong in prepared jerk filefish.	have enough raw materials and Korean prices are high compared to its competitors'.
Chocolate products (HS 1806)	145	EU (41%) USA (30%) Singapore (8%)	EU is strong in high quality chocolate product and U.S. is strong in medium quality chocolate products.	Korea does not produce cocoa and its processed chocolate products are expensive and not high quality.
Ice cream (HS 2105)	13	EU (54%) USA (38%)	EU and U.S. are strong in high quality ice cream.	Korea does not produce high quality ice cream.

SECTION IV. BEST PROSPECTS

Korea imports a wide variety of agricultural, food, fishery products and ingredients for domestic consumption, and also re-exports some final product to other countries after importing raw and/or semi-finished ingredients and manufacturing them in Korea. The following are products which have presence in Korea and have good increased sales potential to the processing sector

Category A: Products Present in the Market Which Have Good Sales Potential

Product Category	2009 Imports (\$ Mil)	5 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Wheat	949	6%	Zero for feed use and 1.8% for milling	Competition among a few supplying countries	Stable, and established market
Beef	797	6.3%	40%	Some negative image of U.S. beef due to BSE still exists.	US quality is good compared to it prices.
Corn	1,638	2.5%	Zero for feed use and 1% for processing	Competition among a few supplying countries	Stable and established market
Soybeans	592	3.8%	Zero for extracting oil, oil cake and feed within the quota	Brazil is strong for oil and oil cake, China strong for bean sprouts and food use and U.S. strong for oil, oil cake and food use.	Stable and established market

Citrus	92	-11%	Oranges: 50% Grapefruit/lemons: 30%	High tariff	No major competitors for USA.
Pork	672	10%	22.5-25%	High tariff	Good quality, ample supply, chilled pork available.
Chocolate	145	8%	8%	U.S. high quality products are not well known in Korea.	Competitive in prices and design for medium quality products.
Whey	81	2.2%	20-49.5%	U.S. prices are competitive.	Good quality, competitive prices and local production is short.
Wine	112	9.6%	15%	French wine is better known and Chilean wine has no duty due to the FTA.	Consumption is growing.
Fish and Seafood	2,605	3.2%	*10-20%	U.S. fish is of high prices and is short of fish species Koreans prefer,	Good quality
Bread, cakes, pastry, etc.	115	8%	8%	Higher prices.	Good quality
Nuts	110	11%	Almond: 8% Pistachio: 30% Walnut: 30%	Duties are high for pistachios & walnuts.	No major competitors.

*The tariff rates differ widely depending upon the product. For specific tariff rates, please contact ATO Seoul.

Category B: Products Not Present in Significant Quantities but Which Have Good Sales

Potential

Product Category	2009 Imports (\$ Mil)	5 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Honey	3	7.5%	20 % – 243%	TRQ for honey is small. Very high tariff rates are applied to honey outside of the quota.	Strong demand for quality natural honey

Soybeans for sprouting	30	15.5% (3 year average)	5% - 487%	Importers must pay 487% high tariff rates but a government agency pays only 5%, and inspection procedures are very strict.	Strong demand for soybeans for sprouting.
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Category C: Products not Present Because They Face Significant Barriers

Product Category	2009 Imports (\$ Million)	5 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Apple	Zero	Zero	45%	Imports of fresh apples are banned due to phytosanitary concerns.	Reasonable prices and less pesticides on U.S. apples will attract Korean consumers

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

For further information about the Korean agricultural market, please contact:

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: 82-2 397-4188 Fax: 82-2 720-7921

E-mail: atoseoul@fas.usda.gov

Website: www.atoseoul.com

Agricultural Affairs Office

Korean Address: U.S. Embassy, 82, 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 more information on how you can register for USDA/FAS' Supplier List:

The United States Department of Agriculture's Foreign Agricultural Service (USDA/FAS) offers information and services that can be beneficial to both new and experienced exporters. For example, the U.S. Suppliers Service is a searchable database of over 5,000 U.S. exporters and

their products, which is used by USDA/FAS to help facilitate connecting potential buyers with U.S. suppliers. This database is used by more than 85 USDA FAS Overseas offices to help export agents, trading companies, importers and foreign market buyers locate U.S. suppliers. It is also used to recruit U.S. exporters to participate in market development activities sponsored by USDA and federal export programs.

You can register online for this service at

<http://www.fas.usda.gov/agexport/exporter.html>

AgConnections Team

AgExport Services Division, Foreign Agricultural Service, Washington, D.C.

Telephone: 202-690-4172

Fax: 202-205-2963

E-mail: joyce.estep@usda.gov

Website: www.fas.usda.gov/agx/agx.html

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

U.S. 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

E-mail: yunhee.kim@aphis.usda.gov

Website: www.aphis.usda.gov

For information about activities by Strategic Trade Regional Groups, please contact:

Food Export Association of the Midwest USA

309 W. Washington St., Suite 600

Illinois 60606

Telephone: 312-334-9200

Fax: 312 334-9230

E-mail: thamilton@foodexport.org

Website: www.foodexport.org

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: bruce@wusata.org

Website: www.wusata.org

Food Export USA - Northeast Region of the United States

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

Website: 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: jim@susta.org

Website: www.susta.org

For information on the commercial and industrial products in Korea, please contact:

U.S. Commercial Service

Korean Address: U.S. Embassy, 82, Sejong-ro, Chongro-ku, 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 Homepage: www.buyusa.gov/korea

SECTION VI. OTHER RELEVANT REPORTS

FAIRS Country Reports Annual – KS9039 dated August 12, 2009

FAIRS Export Certificate Report – KS9046 dated September 28, 2009

Exporter Guide Annual – KS9047 dated October 1, 2009

Retail Food Sector Biennial Market Brief 2009 – KS9006 dated February 23, 2009