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Report Highlights:

The United States is the leading supplier of imported consumer-oriented agricultural products to the Korean retail industry, shipping a record \$5.4 billion in 2019. While the long-term outlook is positive, the Korean retail industry is currently experiencing significant challenges due to the COVID-19 virus outbreak.

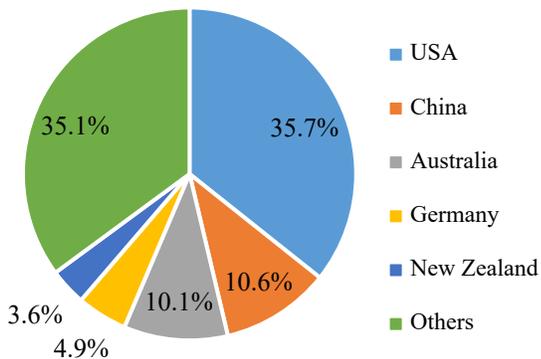
Market Fact Sheet: South Korea

Executive Summary

South Korea has the 12th largest economy in the world with a GDP of \$1.6 trillion and a per capita GNI of \$32,047 in 2019. It is about the size of Indiana and has a population of 52 million. Over 90 percent of Koreans live in urban areas. Domestic production meets only 45 percent of food demand. The United States exported \$8.9 billion in agricultural products to Korea in 2019, making it our fifth largest export market. The U.S. supplies a quarter of Korea's agricultural imports.

Imports of Consumer-Oriented Products

Korea imported \$14.7 billion in consumer-oriented products in 2019, accounting for 41 percent of its total agricultural imports. There are still many opportunities for U.S. export growth in this segment, including for beef, pork, fruits, tree nuts, dairy products, confectioneries, beverages, and further prepared foods.



Food Processing Industry

Korea had over 29,000 food-processing companies as of 2018, generating \$63.3 billion in sales. Korean food processing companies rely heavily on imported commodities and ingredients. Imports of basic and intermediate agricultural products totaled \$13.2 billion in 2019. Twenty four percent (\$3.2 billion) of these imports came from the United States.

Food Retail Industry

Korean retail food sales totaled \$95.3 billion in 2018, accounting for 26 percent of total retail sales. Grocery supermarkets are the leading food retail channel, followed by hypermarket discount stores, convenience stores, on-line retailers, and department stores. On-line retailers and convenience store food sales are expected to grow faster than other channels over the next 5-10 years. The fast expansion of on-line retailers is forcing conventional retail channels to restructure space and devise new strategies to attract consumer traffic.

Quick Facts CY 2019

Imports of Ag. Products from the World

- Basic Products	\$5.2 billion
- Intermediate Products	\$8.0 billion
- Consumer-Oriented Products	\$14.7 billion
- Forest Products	\$2.8 billion
- Seafood Products	\$5.4 billion
- Total	\$36.1 billion

Top 10 Consumer-Oriented Ag. Imports

Beef (\$2.9 billion), pork (\$1.6 billion), frozen fish (\$1.3 billion), fresh fruits (\$1.2 billion), dairy (\$958 million), alcoholic beverages (\$788 million), coffee (\$662 million), tree nuts (\$354 million), bakeries (\$340 million), chocolate confectioneries (\$328 million)

Top 10 Growth Consumer-Oriented Ag. Imports

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

Food Industry by Channels (2018)

- Retail Food Industry	\$95.3 billion
- HRI Foodservice Industry	\$120.2 billion
- Food Processing Industry	\$63.3 billion
- Food & Agricultural Exports	\$7.0 billion

Top Korean Retailers

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

GDP/Population

Population: 52 million
GDP: US \$1.6 trillion
GDP per capita: US \$32,047

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<ul style="list-style-type: none"> - Well established market with modern distribution channels - Consumer income level continues to increase 	<ul style="list-style-type: none"> - High logistics cost to ship U.S. products - Consumers have limited understanding of U.S. products
Opportunities	Challenges
<ul style="list-style-type: none"> - Strong consumer demand for value, quality, and diversity - KORUS FTA reduces tariff barriers for U.S. products. 	<ul style="list-style-type: none"> - Elevated competition from export-oriented competitors - Discrepancies in food safety and labeling regulations

Data and Information Sources: Korea Ministry of Food & Drug Safety, Korea National Statistics Office, Korea Int'l Trade Association, Global Trade Atlas, CIA Factbook (This report uses the latest available statistics data)

Contact:

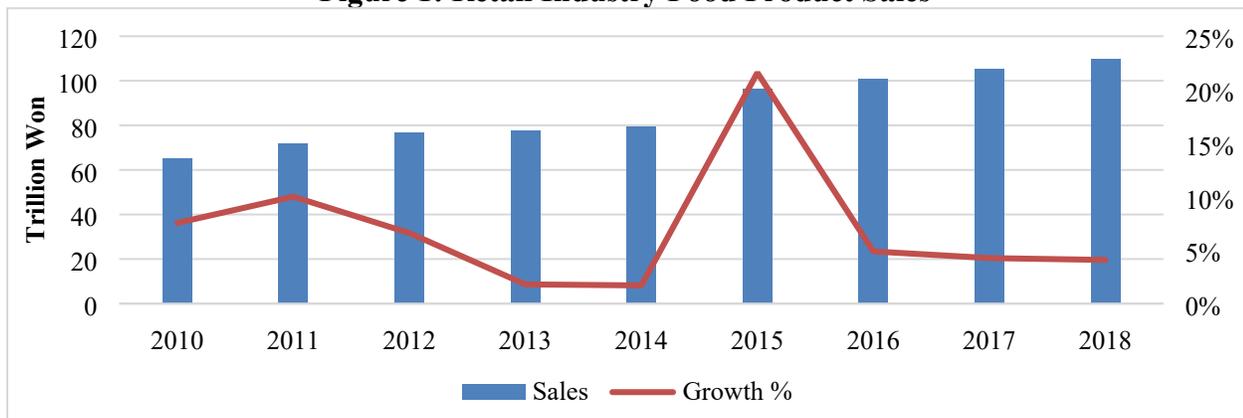
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SECTION I. MARKET SUMMARY

Large conglomerates and foreign investors were prevented from opening grocery stores in Korea until the 1990s when the sector was deregulated. The regulatory changes led to the rise of large grocery retail chains. Shinsegae Group started the EMART hypermarket chain in 1993 shortly after deregulation. Macro, a Dutch retailer, was the first foreign retailer to open grocery stores in Korea after deregulation. Modern large-scale hypermarkets, supermarkets, convenience stores, and on-line retailers have grown rapidly over the last two decades. This has led to a large decline in traditional street markets and small independent grocers.

Per capita Korean family grocery purchases grew at a 5.2 percent compound annual growth rate (CAGR) over the last 10 years (2009-2018). Sales of food products in the retail industry reached 109.6 trillion won (\$95.3 billion USD) in 2018, up 4 percent from the previous year.¹ Imports of consumer-oriented agricultural products reached a record \$14.7 billion in 2019, accounting for 40.6 percent of all agricultural imports.² Over a third (\$5.4 billion) of the consumer-oriented agricultural imports came from the United States.

Figure 1: Retail Industry Food Product Sales³



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

While the long term outlook is positive, the Korean retail industry is experiencing significant challenges at this time due to the COVID-19 virus outbreak. The food service and restaurant sectors have been especially hard hit. Most Korean import distributors are currently focused on marketing their existing product portfolio, and many have excess inventories due to the sudden drop in consumer demand. As a

¹ \$1 = 1,150 won (2018)

² Source: Korean government import data (KOTIS) released by Korea Int'l Trade Association (www.kita.net). CIF value.

³ Source: 'Retail Industry Sales by Product' data, Korea National Statistics Office (<http://kosis.kr>). NSO introduced a new survey method in 2015, so the sharp growth in 2015 should be interpreted with caution.

result, Korean buyers will likely have limited interest in new product launchings until the market recovers from the impact of COVID-19.

Table 1: Advantages and Challenges in the Korean Retail Industry

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

II. ROAD MAP FOR MARKET ENTRY

II-1. ENTRY STRATEGY

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

For assistance in reaching out to established Korean import distributors and retail store buyers, please contact the [United States Agricultural Trade Office \(ATO\) Seoul](#). ATO Seoul offers various marketing tools and trade facilitation assistances on behalf of U.S. suppliers. For additional information on market entry tools and strategies for Korea, please refer to:

- [Korea Exporter Guide](#): consumer food market trends, food import trends, food market sector overview, and market entry guidance.
- [Korea FAIRS Report](#): Korean government regulations and standards on imported food and agricultural products.
- [ATO Seoul website](#): product briefs, monthly import data, local media food news clippings, and links to other resources and organizations.
- [Korea Country Commercial Guide](#): published by the U.S. Commercial Service, this guide provides a wide range of information about doing business in Korea.

II-2. MARKET STRUCTURE

Food products retail sales totaled 109.6 trillion won (\$95 billion) in 2018, accounting for 26.3 percent of overall Korean retail market sales. Grocery supermarkets were the leading food retail channel, accounting for 39.3 trillion won (\$34 billion) in food sales in 2018, followed by hypermarkets (17.1 trillion won) and convenience stores (12.5 trillion won).

On-line retailers and convenience stores have grown the fastest in recent years as demand for convenience and value shopping increases. Supermarkets, hypermarkets and department stores have seen stagnant growth due to escalated competition from online retailers and limited room to build new stores. The food retail sector is in the midst of restructuring, renovating some stores and closing others. Conventional retailers are investing heavily in on-line shopping. Lotte Shopping Co., a leading player in the industry, announced in 2020 a major restructuring plan to close some 200 (28 percent) of its supermarkets and hypermarket stores within the next few years to focus on its online shopping business.

The COVID-19 outbreak has accelerated the trend towards online shopping, especially for food sales. On-line shopping increased 49 percent in March 2020 compared to the same month last year.⁴ In contrast, consumer spending in conventional hypermarket grocery stores declined by 25 percent during this period. Several conglomerates have sped up planned store closures in response to the outbreak.

Figure 2: Shifts in Food Sales by Retail Industry Segment (2016-2018)⁵

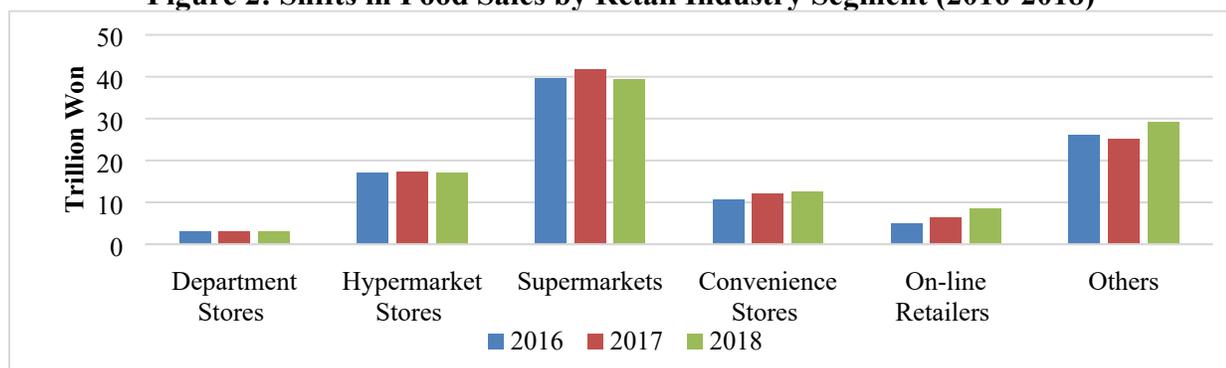


Table 2: Sales of Food Products by Retail Industry Segment (2018)⁶

Segment	Total Sales	Share of Food Products in Total Sales (Estimates ⁷)	Food Sales (Estimates)
Grocery Supermarkets	46.5 trillion won	84.5%	39.3 trillion won
Hypermarkets	33.5 trillion won	51.0%	17.1 trillion won
Convenience Stores	24.4 trillion won	51.4%	12.5 trillion won
On-line Retailers	76.0 trillion won	10.3%	8.6 trillion won

⁴ 'COVID-19 Consumer Market Impact Report', Hana Financial Group, May 10, 2020

⁵ Ibid. On-line retailers are limited to companies that operate on-line shopping only.

⁶ Korea National Statistics Office (<http://kosis.kr>)

⁷ Food share Estimates are based on IR reports of some of the leading companies in the segment. The figure for on-line retailers is from 'On-line Retail Industry Statistics'.

Department Stores	30.0 trillion won	10.1%	3.0 trillion won
Others	153.2 trillion won	19.0%	29.1 trillion won
Total			109.6 trillion won

Table 3: Top Host Country Retailers (2019)⁸

Segment	Company / Brand	Store #	Website
Grocery Supermarkets	Nongchukhyup / Hanaro Mart	2,130	nhhanaro.co.kr
	Lotte Shopping Co. / Lotte Super	521	lottesuper.co.kr
	GS Retail Co. / GS Supermarket	318	gssuper.com
	Seowon Utong Co. / Top Mart	94	seowon.com
	Homeplus Co. / Home Plus Express	353	homeplus.co.kr
	EMART, Inc. / EMART Everyday	237	emarteveryday.co.kr
	EMART, Inc / No Brand	220	emart.com
Hypermarkets	EMART, Inc. / EMART, Traders	158	emart.com
	Homeplus Co. / Home Plus	140	homeplus.co.kr
	Lotte Shopping Co. / Lotte Mart	126	lottemart.co.kr
	COSTCO Wholesale / COSTCO	16	costco.co.kr
Convenience Stores	BGF Korea Co. / CU	13,820	bgfcu.com
	GS Retail Co. / GS25	13,899	gs25.gsretail.com
	Korea Seven Co. / Seven Eleven	10,005	7-eleven.co.kr
	Ministop Korea Co. / Ministop	2,582	ministop.co.kr
	EMART, Inc. / EMART24	4,488	emart24.co.kr
On-line Retailers	SK Planet Co.		11st.com
	CJ O Shopping Co.		cjmall.com
	GS Home Shopping Co.		gsheshop.co.kr
	Hyundai Home Shopping Network Corp.		hmall.com
	Woori Home Shopping Co.		lotteimall.com
	Ebay Korea, Inc.	NA	gmarket.co.kr
	NS Shopping Co.		nseshop.com
	Interpark Co.		interpark.com
	Lotte.com, Inc.		lotte.com
	Coupang Co.		coupang.com
EMART-Shinsegae Group		ssg.com	
Kurly Corp.		kurly.com	
Department Stores	Lotte Shopping Co. / Lotte Dept. Store	53	lotteshopping.com
	Shinsegae Co. / Shinsegae Dept. Store	13	shinsegae.com
	E Land Retail Co. / NewCore, NC Dept.	35	elandretail.com
	Hyundai Dept. Co. / Hyundai Dept. Store	15	ehyundai.com
	Hanwha Galleria / Galleria Dept. Store	6	dept.galleria.co.kr
Organic Grocery Stores	ORGA Whole Foods	90	orga.co.kr
	Chorocmaeul	392	choroc.com
Health & Beauty Stores	Lotte Shopping Co./LOHB's	131	lohbs.co.kr
	CJ OliveNetworks Co./Olive Young	1,233	oliveyoung.co.kr
	EMART, Inc./Boots	15	boots.ssg.com
	GS Retail Co./Lalavla	152	lalavla.gsretail.com

⁸ Source: Company IR reports, company internet homepages, media news articles.

III. COMPETITION

[ATO Seoul's website](#) provides up-to-date information about Korea's food and agricultural imports:

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

Table 4: Top Korean Imports of Consumer-Oriented Products and Competition⁹

Product Category/HS Code	Gross Imports 2019 (\$ million)	1 st Supplier (M/S)	2 nd Supplier (M/S)	U.S. Ranking
Beef, Frozen/HS0202	2,055	U.S. (59%)	Australia (35%)	1 (59%)
Food Preparations NESOI ¹⁰ /HS2106	1,758	U.S. (58%)	N.Z. (6%)	1 (58%)
Pork, Chilled or Frozen/HS0203	1,600	U.S. (31%)	Germany (21%)	1 (31%)
Fish, Frozen (Not Fillets)/HS0303	1,294	Russia (28%)	China (23%)	3 (8%)
Crustaceans/HS0306	1,200	Russia (34%)	Vietnam (19%)	9 (2%)
Mollusks/HS0307	951	China (45%)	Vietnam (24%)	15 (0.5%)
Beef, Chilled/HS0201	868	U.S. (62%)	Australia (37%)	1 (62%)
Coffee/HS090	662	U.S. (15%)	Colombia (14%)	1 (15%)
Fish Fillets/HS0304	582	Vietnam (18%)	U.S. (16%)	2 (16%)
Cheese and Curd/HS0406	555	U.S. (46%)	N.Z. (14%)	1 (46%)
Crustaceans, Prepared/Preserved/HS1605	534	Vietnam (26%)	China (23%)	20 (0.4%)
Other Preserved Fruits & Nuts/HS2008	362	China (29%)	Vietnam (18%)	3 (15%)
Bread, Pastry, Cakes, Biscuits/HS1905	340	Malaysia (16%)	U.S. (16%)	2 (16%)
Chocolate Food Preparations/HS1806	328	U.S. (28%)	China (9%)	1 (28%)
Other Nuts/HS0802	304	U.S. (91%)	Australia (4%)	1 (91%)
Bananas/HS0803	302	Philippines (79%)	Ecuador (8%)	NA (0%)
Poultry Meat & Offal/HS0207	293	Brazil (90%)	Thailand (9%)	4 (1%)
Other Vegetables, Prepared, Not Frozen/HS2005	286	China (76%)	Thailand (10%)	3 (6%)
Beer made from malt/HS2203	281	China (15%)	Japan (14%)	4 (12%)
Citrus Fruit/HS0805	274	U.S. (88%)	S. Africa (3%)	1 (88%)
Live Fish/HS0301	261	China (51%)	Japan (20%)	4 (3%)
Wine/HS2204	259	France (32%)	Chile (19%)	3 (13%)
Fish, Fresh/Chilled (Not Fillets)/HS0302	255	Norway (88%)	Japan (7%)	15 (0.02%)
Vegetables, Frozen/HS0710	249	China (90%)	Vietnam (4%)	3 (2%)
Sauces & Preparations/HS2103	244	China (37%)	Japan (21%)	3 (15%)

⁹ Source: Korean government import data (KOTIS) released by Korea Int'l Trade Association (www.kita.net). CIF value.

¹⁰ NESOI: Not elsewhere specified or included

Table 5: Fastest Growing Korean Imports of Consumer-Oriented Products¹¹

Product Category/HS Code	Gross Imports 2019 (\$ million)	Growth from 2018	Imports from U.S. (\$ million)	U.S. Growth
Ginger, Saffron, Turmeric, Thyme/HS0910	17	39%	0.5	2%
Aquatic Invertebrates/HS0308	42	31%	2.5	2%
Mineral Waters/HS2201	86	28%	0.3	0.3%
Food Preparations NESOI/HS2106	1,758	24%	1,020	27%
Butter/HS0405	86	21%	10	43%
Other Prepared or Preserved Meat/HS1602	229	18%	36	27%
Grapes/HS0806	214	17%	60	-7%
Poultry Meat and Offal/ HS0207	293	16%	4	-67%
Beef, Frozen/HS0202	2,055	13%	1,206	16%
Prepared Foods, Roasted/HS1904	39	12%	11	-4%
Other Vegetables, Prepared/HS2004	178	11%	118	7%
Processed Fish, Dried or Salted/HS0305	120	10%	0.5	-42%
Other Fruit, Fresh/HS0810	151	10%	32	30%
Fruit Juices/HS2009	235	8%	61	-6%
Sausages & Similar Products/HS1601	40	8%	37	8%
Wine/HS2204	259	6%	34	12%
Cheese and Curd/HS0406	555	4%	253	14%
Coffee/HS0901	662	4%	97	14%
Crustaceans/HS0306	1,200	2%	22	-12%
Mushrooms and Truffles/HS2003	20	2%	0	N/A

¹¹ Source: Ditto. Listing is limited to products that Korean imports were \$10 million or larger.

IV. KEY FAS/USDA CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office Seoul (ATO)

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[U.S. State Offices in Korea](#)

[American Chamber of Commerce \(AMCHAM\)](#)

Host Country Government

[Ministry of Agriculture, Food and Rural Affairs \(MAFRA\)](#)

[Ministry of Food and Drug Safety \(MFDS\)](#)

[Ministry of Trade, Industry and Energy \(MOTIE\)](#)

[Ministry of Foreign Affairs \(MOFA\)](#)

Attachments:

No Attachments