USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Voluntary - Public

Date: 6/13/2019
GAIN Report Number: KS1918

Korea - Republic of

Post: Seoul ATO

Retail Foods

Report Categories:
Retail Foods

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Report Highlights:
Strong consumer demand for value, quality, convenience, and diversity generates increased demand for imported agricultural products in the Korean retail industry. The United States remains the leading supplier of consumer-oriented agricultural products to the Korean retail industry. Korea’s imports of these products from the United States amounted to a record $5.1 billion in 2018.

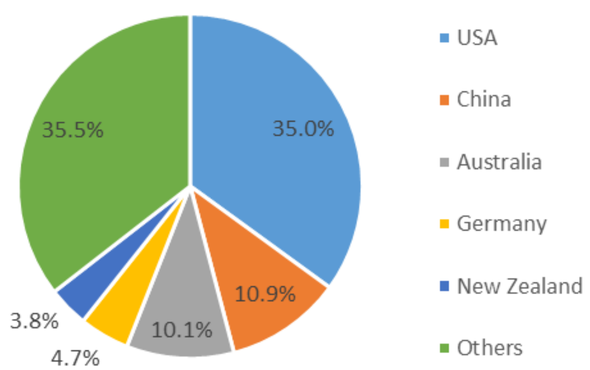
Market Fact Sheet: South Korea

Executive Summary

South Korea is the 11th largest economy in the world with a national GDP of $1.6 trillion and a per capita GNI of $31,355 in 2018. It is about the size of the state of Indiana and has a population of 51.8 million. Over 90 percent of Koreans live in urban areas. Korean consumers maintain strong demand for healthy diet, diversified choices, and new tastes. While domestic production meets 45% of Korean food and agricultural needs, the country relies heavily on imports to fulfill total demand. Korea is the fifth largest export market for American agriculture. The United States was the leading supplier of imported agricultural products to Korea by accounting for $9.4 billion or 25.3% of Korea's agricultural imports of $37.1 billion in 2018.

Imports of Consumer-Oriented Products

Korea's imports of Consumer-Oriented Products totaled $14.5 billion in 2018, or 39.1% of overall agricultural imports. The United States remained the leading supplier in the segment by accounting for a record $5.1 billion or 35.0% of total imports. Despite elevated competition from export-oriented competitors, the Consumer-Oriented segment offers increased export opportunity for various American products, including beef, pork, fruits, tree nuts, dairy products, confectioneries, beverages, and further prepared foods.



Food Processing Industry

Korea maintains a strong food processing industry that manufacturers a wide variety of processed foods, beverages, and additives. There were over 29,000 food processing companies in Korea as of 2017 which generated $62.1 billion of sales. Korean food processing companies rely heavily on imported commodity and ingredient products. Korea's imports of basic and intermediate agricultural products amounted to $13.3 billion in 2018. American products accounted for $3.9 billion or 29.7% of total imports, used for feed, industrial and food manufacturing.

Food Retail Industry

Sales of food products in the Korean retail industry totaled $93.2 billion in 2017, which was 27.6% of overall retail industry sales. Grocery supermarkets were the leading food retail channel, followed by hypermarket discount stores, convenience stores, on-line retailers, and department stores. On-line retailers and convenience stores are likely to lead the growth of food sales in the industry in the coming years as Korean consumers pay more emphasis to convenience and value. At the same time, fast expansion of on-line retailers will force conventional retail channels to restructure space and product strategies to attract consumer traffic.

Quick Facts CY 2018

Imports of Ag. Products from the World

- Basic Products	US $5.2 billion
- Intermediate Products	US $8.0 billion
- Consumer-Oriented Products	US $14.5 billion
- Forest Products	US $3.5 billion
- Seafood Products	US $5.8 billion
- Total	US $37.1 billion

Top 10 Consumer-Oriented Ag. Imports

Beef ($2.7 billion), Pork ($1.7 billion), Frozen Fish ($1.4 billion), Fresh Fruits ($1.4 billion), Dairy Products ($896 million), Alcoholic Beverages ($769 million), Coffee ($637 million), Tree Nuts ($439 million), Chocolate Confectioneries ($352 million), Bakeries($364 million)

Top 10 Growth Consumer-Oriented Ag. Imports

Animal Offal, Dried Fruits, Specialty Nuts, Specialty Fruits, Butter, Mollusks, Herbs and Spices, Live Fish, Honey, Tea

Food Industry by Channels (2017)

- Retail Food Industry	US $93.2 billion
- HRI Foodservice Industry	US $113.5 billion
- Food Processing Industry	US $ 62.1 billion
- Food & Agricultural Exports	US $ 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, Shinsegae Department Store, Hyundai Department Store, Hanwha Galleria, CJ O Shopping, GS Home Shopping, Coupang, SK Planet, Ebay Korea

GDP/Population

Population: 51.8 million
GDP: US $1.6 trillion
GDP per capita: US $31,355

Strengths/Weaknesses/Opportunities/Challenges

Strengths	*Weaknesses*
- Well established market with modern distribution channels - Consumer income level continues to increase	- High logistics cost to ship American products - Consumers have limited understanding of American products
Opportunities	***Challenges***
- Strong consumer demand for value, quality, and diversity - KORUS FTA reduces tariff barriers for American products.	- 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:

U.S. Agricultural Trade Office (ATO) Seoul
E-mail: atoseoul@fas.usda.gov

SECTION I. MARKET SUMMARY

The food retail industry in South Korea (here in after referred as Korea) has evolved dramatically ever since the opening of its first large-scale discount grocery store (hypermarket) in 1993 (EMART by Shinsegae Group was the first one established) and liberalization of retail business to foreign ownership in 1996 (Macro, a Dutch retailer was the first to enter the market). Over the last two decades, 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, independent grocers.

The overall retail industry in Korea (excluding automobile) generated 381.6 trillion won of cash-register sales in 2017 (approximately $337.7 billion, exchange rate: $1 = ₩1,130 won), up 5.4 percent from the previous year. Total sales of food products in the retail industry amounted to 105.3 trillion won ($93.2 billion), up 4.3 percent from the previous year. In other words, food products accounted for 27.6 percent of the overall retail industry sales in Korea.

Table 1: Advantages and Challenges that American Products Face in Korea

Advantages	Challenges
Korea is an emerging market where new ideas and trends are eagerly tried and accepted, leading to greater opportunities for new-to-market products. Consumers are looking for new and international tastes as the income level continues to rise.	Consumers are generally biased toward local products. A series of food safety scandals associated with imported products from risky origins in recent years has led the general public and traders to be more concerned about the quality and safety of imported products.
Korea depends heavily on imports for its food and agricultural needs. On-going elimination of import barriers will improve market access and price competitiveness of imported products. In particular, the KORUS FTA will help American products better compete in Korea under reduced import tariffs.	Imports of many products face restrictive regulatory barriers. Many American fresh fruits have yet to gain access to Korea. Certain food additives approved for use in the United States may not be allowed in Korea. The Korean government makes frequent changes in its food safety/labeling standards, which adds risk and cost to traders.
Growth of the retail industry is led by modern format, large-scale retail businesses, which offer a better environment for imported products to compete against locally grown or manufactured products. Large-scale retailers are actively seeking ways to increase the assortment of imported products to attract consumers.	Local retailers in general have yet to establish expertise on international sourcing. As a result, the flow of imported products to the retailer usually includes multiple layers of intermediary distributors, which adds cost and inefficiency to the supply chain. Retailers are risk averse and reluctant to accept new imported products of short shelf life or weak brand recognition.
Due to the long history of economic and political ties between Korea and the United States, many opinion-leaders in Korea are familiar with American products and food trends. Many consumers maintain a positive view on the quality and value of American products. English is the most popular foreign language in Korea.	American products face elevated competition against export-oriented competitors. The on-going slow-down of the Korean economy favors competitors who offer lower prices. Evolving tastes of consumers promote entry of competitor products from more diversified origins.

Korea is the 11th largest economy in the world with a national GDP of $1.6 trillion and a per capita GNI of $31,355 as of 2018. Korea's 51 million inhabitants occupy a country the size of the state of Indiana. About 70 percent of the land is mountainous, and over 90 percent of the Korean population lives in urban cities. Rapid evolution of the Korean economy and consumer lifestyles generate increased demand for quality, value, diversity, and convenience in the retail industry. As a result, imports of consumer-oriented foods and agricultural products continue solid growth. Korea's imports of consumer-oriented products totaled a record $14.5 billion in 2018, or 39.1 percent of overall agricultural imports. The United States remained the leading supplier in the segment by accounting for a record $5.1 billion or 35.0 percent of total segment imports.

The outlook for American products in the Korean food retail industry is excellent for a wide diversity of products, including beef, pork, poultry, 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. In addition, on-going trade liberalization should create new opportunities for those products that are currently under restrictive import barriers. In particular, the Korea-United States Free Trade Agreement (KORUS FTA), implemented in March 2012 and amended in December 2018, will continue to expand export opportunities for American products in the Korean retail industry.

II. ROAD MAP FOR MARKET ENTRY

II-1. ENTRY STRATEGY

Korean retailers in general rely heavily on independent importers or intermediary distributors for imported food products. Although leading players are making increased efforts to expand direct imports from foreign suppliers for lower cost and improved product assortment, their current attention is mainly targeted to a limited number of large volume products such as fresh fruits, livestock meat, and seafood. For contact listings of established Korean import distributors and retail store buyers, please contact the United States Agricultural Trade Office (ATO) Seoul. ATO Seoul also offers various marketing tools and trade facilitation assistances on behalf of American suppliers who seek to enter the Korean market.

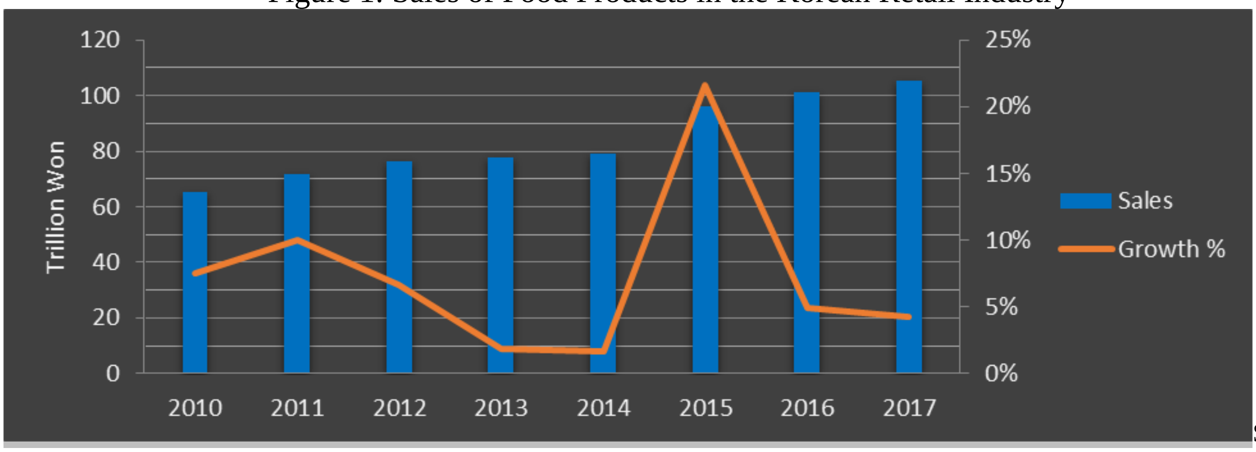
American suppliers are recommended to refer to below resources for additional information and guidance needed to establish an efficient entry strategy for Korea:

- Korea FAIRS report provides Korean government regulations and standards on imported food and agricultural products.
- Korea Exporter Guide provides market entry guidance for American suppliers along with key Korean consumer market trends.
- ATO Seoul website (www.atoseoul.com) provides various information about the Korean market, including product briefs, local media food news clippings, KORUS FTA, and links to other resources and organizations.
- Korea Country Commercial Guide published by the U.S. Commercial Service is another outstanding source of information about exporting to Korea.

II-2. MARKET STRUCTURE

Grocery supermarkets were the leading retail channel for food products in the Korean retail industry with an estimated 41.6 trillion won ($36.8 billion) of food sales in 2017, followed by hypermarkets (17.2 trillion won or $15.3 billion). In terms of growth, on-line retailers and convenience stores led the growth of food sales in the industry in recent years due to increased consumer demand for convenience and value. On the other hand, hypermarkets and department stores saw stagnant growth not only due to escalated competition from on-line retailers but also because of limited room in the market to build new stores. As a result, retailers are making efforts to restructure their operation and product strategies to cope with increased competition and evolving consumer taste.

Figure 1: Sales of Food Products in the Korean Retail Industry



Source: Retail Industry Sales by Product, Korea National Statistics Office (http://kosis.kr)
Note: Korean government data for 2015 and beyond are based on revised survey method so the sharp growth in 2015 should be read with caution.

Table 2: Sales of Food Products by Retail Industry Segment (Estimates, 2017)

Segment	Total Sales	Share of Food Products in Total Sales (Estimates*)	Food Sales (Estimates)
Grocery Supermarkets	₩49.3 trillion	84.5%	₩41.6 trillion
Hypermarkets	₩33.8 trillion	51.0%	₩17.2 trillion
Convenience Stores	₩23.5 trillion	51.4%	₩12.1 trillion
On-line Retailers	₩62.6 trillion	10.3%	₩6.5 trillion
Department Stores	₩29.3 trillion	10.1%	₩3.0 trillion
Independent Grocers**	₩24.0 trillion	84.5%	₩20.3 trillion
Others	₩159.0 trillion	3.0%	₩4.7 trillion
	Total		₩105.3 trillion

Source: Retail Industry Sales by Product / Service Industry Statistics / On-line Retail Industry Statistics, Korea National Statistics Office (http://kosis.kr)
*Note: Estimates are based on IR reports of some of the leading companies in each segment. The figure for on-line retailers is from On-line Retail Industry Statistics, Korea National Statistics Office.
**Note: Independent grocers include family operated small retail shops and traditional street markets.

Figure 2: Trend of Food Product Sales by Retail Industry Segment (2015-2017)

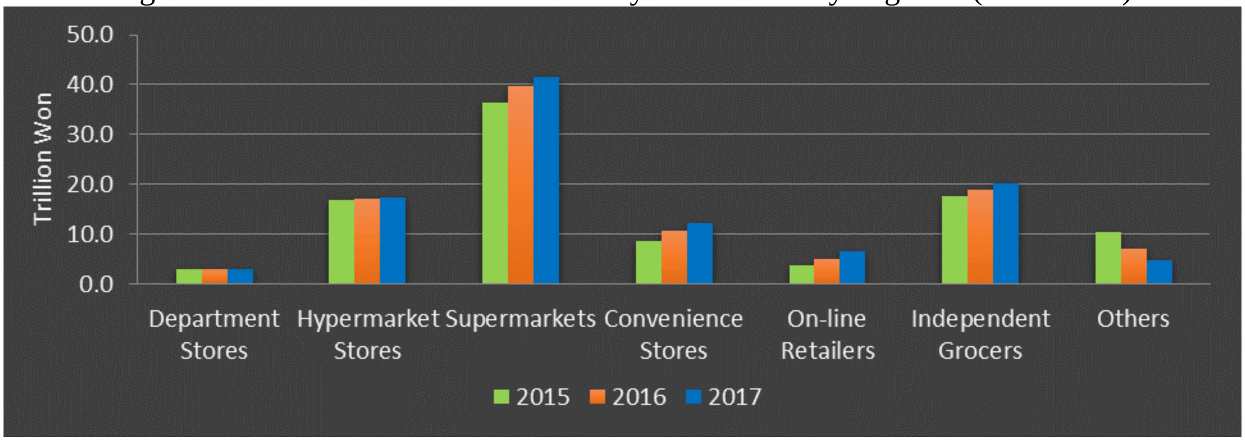


Table 3: Top Host Country Retailers (2018)

Industry Segment	Company / Brand	Store #	Website
Grocery Supermarkets	Nongchukhyup / Hanaro Mart	2,120	nhhanaro.co.kr
	Lotte Shopping Co. / Lotte Super	464	lottesuper.co.kr
	GS Retail Co. / GS Supermarket	318	gssuper.com
	Seowon Utong Co. / Top Mart	76	seowon.com
	Homepuls Co. / Home Plus Express	356	homeplus.co.kr
	EMART, Inc. / EMART Everyday	235	emarteveryday.co.kr
	EMART, Inc / No Brand	180	emart.com
Hypermarkets	EMART, Inc. / EMART	143	emart.com
	Homeplus Co. / Home Plus	140	homeplus.co.kr
	Lotte Shopping Co. / Lotte Mart	125	lottemart.co.kr
	COSTCO Wholesale / COSTCO	15	costco.co.kr
Convenience Stores	BGF Korea Co. / CU	13,169	bgfcu.com
	GS Retail Co. / GS25	13,107	gs25.gsretail.com
	Korea Seven Co. / Seven Eleven	9,555	7-eleven.co.kr
	Ministop Korea Co. / Ministop	2,533	ministop.co.kr
	EMART, Inc. / EMART24	3,700	emart24.co.kr
On-line Retailers	SK Planet Co.	NA	11st.com
	CJ O Shopping Co.		cjmall.com
	GS Home Shopping Co.		gseshop.co.kr
	Hyundai Home Shopping Network Corp.		hmall.com
	Woori Home Shopping Co.		lotteimall.com
	Ebay Korea, Inc.		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	33	lotteshopping.com
	Shinsegae Co. / Shinsegae Dept. Store	13	shinsegae.com
	E Land Retail Co. / NewCore, NC Dept.	18	elandretail.com
	Hyundai Dept. Co. / Hyundai Dept. Store	35	ehyundai.com
	Hanwha Galleria / Galleria Dept. Store	5	dept.galleria.co.kr

Organic Grocery Stores	ORGA Whole Foods Chorocmaeul	120 488	orga.co.kr choroc.com
Health & Beauty Stores	Lotte Shopping Co./LOHB's CJ OliveNetworks Co./Olive Young EMART, Inc./Boots GS Retail Co./Lalabla	124 1,100 25 168	lohbs.co.kr cjolivenetworks.co.kr boots.ssg.com watsons.gsretail.com

Source: Internet home page of the companies, Local news articles

III. COMPETITION

ATO Seoul website (www.atoseoul.com) provides up-to-date information about Korea's food and agricultural imports:

- Korea's Agricultural Import Statistics: This spreadsheet, updated monthly, provides a summary of Korea's agricultural imports on four-digit HS product code level.
- Korea's Agricultural Import Trends Presentation: this presentation, published quarterly, provides a summary of competition between the U.S. and competitors for key products.

Table 4: Top 25 Korean Imports of Consumer-Oriented Agricultural Products and Competition

Product Category/HS Code	Gross Imports 2018 ($ million)	1st Supplier	2nd Supplier	U.S. Ranking
Beef, Frozen/HS0202	1,827	U.S. (57%)	Australia (36%)	1 (57%)
Pork, Chilled or Frozen/HS0203	1,734	U.S. (30%)	Germany (21%)	1 (30%)
Food Preparations NESOI/HS2106	1,421	U.S. (57%)	N.Z. (7%)	1 (57%)
Fish, Frozen (Not Fillets)/HS0303	1,409	Russia (29%)	China (23%)	4 (8%)
Crustaceans/HS0306	1,172	Russia (31%)	Vietnam (22%)	9 (2%)
Mollusks/HS0307	1,089	China (49%)	Vietnam (23%)	15 (0.3%)
Beef, Chilled/HS0201	865	U.S. (59%)	Australia (41%)	1 (59%)
Coffee/HS090	637	Colombia (14%)	U.S. (13%)	2 (13%)
Fish Fillets/HS0304	618	Vietnam (19%)	U.S. (16%)	2 (16%)
Crustaceans, Prepared/Preserved/HS1605	562	Vietnam (26%)	China (23%)	16 (1%)
Cheese and Curd/HS0406	534	U.S. (42%)	N.Z. (17%)	1 (42%)
Live Fish/HS0301	366	China (42%)	H.K. (32%)	5 (2%)
Bread, Pastry, Cakes, Biscuits/HS1905	364	Malaysia (18%)	U.S. (15%)	2 (15%)
Other Preserved Fruits & Nuts/HS2008	363	China (29%)	U.S. (15%)	2 (15%)
Bananas/HS0803	365	Philippines (78%)	Ecuador (9%)	NA (0%)
Chocolate Food Preparations/HS1806	329	U.S. (28%)	China (10%)	1 (28%)
Citrus Fruit/HS0805	328	U.S. (87%)	S. Africa (5%)	1 (87%)
Other Nuts/HS0802	316	U.S. (91%)	Australia (4%)	1 (91%)
Beer made from malt/HS2203	310	Japan (25%)	China (13%)	4 (11%)
Other Vegetables, Prepared, Not	283	China (76%)	Thailand	3 (6%)

Frozen/HS2005			(10%)	
Edible Offal/HS0206	270	U.S. (41%)	Australia (39%)	1 (41%)
Vegetables, Frozen/HS0710	253	China (90%)	Vietnam (6%)	3 (2%)
Poultry Meat & Offals/HS0207	252	Brazil (82%)	U.S. (5%)	2 (5%)
Sauces & Preparations/HS2103	250	China (36%)	Japan (24%)	3 (14%)
Fish, Fresh/Chilled (Not Fillets)/HS0302	250	Norway (26%)	Japan (10%)	N/A (0%)

Source: Global Trade Atlas

Table 5: Fastest Growing Korean Imports of Consumer-Oriented Agricultural Products*

Product Category/HS Code	Gross Imports 2018 ($ million)	Growth from 2017	U.S. Growth	U.S. M/S
Guts, Bladders, Stomachs/HS0504	138	83%	77%	48%
Dried Fruits/HS0813	18	81%	16%	29%
Coconuts, Brazil Nuts, Cashew/HS0801	123	51%	-6%	1%
Other Fruit, Fresh/HS0810	138	40%	76%	18%
Butter/HS0405	71	40%	67%	10%
Mollusks/HS0307	1,089	37%	10%	0.3%
Ginger, Saffron, Turmeric, Thyme/HS0910	12	33%	0%	0%
Live Fish/HS0301	366	33%	-13.5%	2%
Natural Honey/HS0409	12	32%	-11%	29%
Tea/HS0902	21	30%	27%	7%
Poultry Meat & Offals/HS0207	252	26%	-1%	5%
Lettuce, Fresh/Chilled/HS0705	17	25%	24%	25%
Cider, Perry, Mead/HS2206	34	25%	8%	8%
Fish, Fresh/Chilled (Not Fillets)/HS0302	250	24%	-56%	0%
Soups & Broths/HS2104	21	24%	6%	23%
Other Prepared/Preserved Meat/HS1602	194	24%	33%	15%
Dates, Figs, Pineapple, Etc./HS0804	183	21%	79%	18%
Beef, Chilled/HS0201	865	20%	29%	59%
Fish Fillets/HS0304	618	20%	21%	16%
Mineral Water, Flavored/HS2202	96	20%	28%	25%

*Note: Limited to products that Korean imports were $10 million or larger

IV. KEY FAS/USDA CONTACTS AND FURTHER INFORMATION

A. USDA/FAS OFFICES IN KOREA

U.S. Agricultural Trade Office Seoul (ATO)
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Internet homepage: www.atoseoul.com

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E-mail: yunhee.kim@aphis.usda.gov
Internet Homepage: www.aphis.usda.gov

B. USDA COOPERATORS, STATES, INDUSTRY ORGANIZATIONS

Please contact ATO Seoul for contact information of USDA cooperators, state offices, and industry organizations that offer various export assistances.