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Global Agricultural Information Network

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Korea - Republic of

Retail Foods

2018

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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 sector. The United States remains the leading supplier of consumer-oriented agricultural products to the Korean retail sector. Korea's imports of consumer-oriented agricultural products from the United States amounted to a record $4.3 billion in 2017.

Post:
Seoul ATO

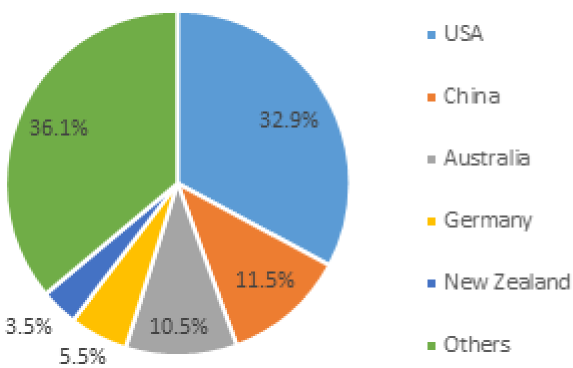
Market Fact Sheet: South Korea

Executive Summary

South Korea is the 11th largest economy in the world with a national GDP of $1.53 trillion and a per capita GNI of almost $30,000 as of 2017. It is about the size of the state of Indiana and has a population of 51 million. Over 90% of Koreans live in urban areas. Korean consumers maintain strong demand for healthy diets, diversified choices, and new tastes. 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 $7.9 billion or 23.5% of Korea's total agricultural imports of $33.8 billion in 2017.

Imports of Consumer-Oriented Products

Korea's imports of consumer-oriented products totaled $12.8 billion in 2017, or 37.9% of overall agricultural imports. The United States remained the leading supplier in the segment by accounting for a record $4.3 billion or 33.4% of total imports. Despite elevated competition from export-oriented competitors, the consumer-oriented segment offers increased export opportunities 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 28,000 food processing companies in Korea as of 2016 which generated over $70 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 $12.8 billion in 2017. American products accounted for $3.3 billion or 25.8% of total imports, used for feed, industrial and food manufacturing.

Retail Food Industry

Sales of food products in the Korean retail industry totaled about $76 billion as of 2016,

Quick Facts CY 2017

Imports of Ag. Products from the World

- Basic Products US $4.9 billion
- Intermediate Products US $7.9 billion
- Consumer-Oriented Products US $12.8 billion
- Forest Products US $3.2 billion
- Seafood Products US $5.0 billion
- Total US $33.8 billion

Top 10 Consumer-Oriented Ag. Imports

Beef($2.3 billion), Pork($1.5 billion), Frozen Fish($1.4 billion), Dairies($854 mil), Fresh Fruits($1.2 billion), Tree Nuts($406 mil), Coffee($655 mil), Chocolate Confectioneries($324 mil), Bakeries($367 mil), Alcoholic Beverages ($706 mil)

Top 10 Growth Consumer-Oriented Ag. Imports

Eggs, Specialty Nuts, Lamb Meat, Tea, Beer, Animal offal, Preserved Vegetables, Beef, Butter, Cherries

Food Industry by Channels (2016)

- Retail Food Industry US $75.9 billion
- HRI Foodservice Industry US $97.5 billion
- Food Processing Industry US $70.3 billion
- Food & Agricultural Exports US $6.8 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, SK Planet, Ebay Korea

GDP/Population

Population: 51.2 million
GDP: US $1.53 trillion
GDP per capita: US $29,891

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

which was 22.8% 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.	Atlas, CIA Factbook **Contact:** U.S. Agricultural Trade Office (ATO) Seoul 303 Leema Building, Jongro-1-gil 42, Jongro-gu, Seoul Tel: +82-2-6951-6848 E-mail: atoseoul@fas.usda.gov www.atoseoul.com

SECTION I. MARKET SUMMARY

The retail food sector in South Korea (here in after referred as Korea) has evolved dramatically ever since opening of its first large-scale discount grocery store (hypermarket) in 1993 (EMART by Shinsegae Group was the first one launched) and liberalization of retail business to foreign ownership in 1996 (Macro, a Dutch retailer was the first one that entered 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 grocers.

The overall retail sector in Korea generated 386 trillion won of cash-register sales in 2016 (approximately $331 billion, exchange rate: $1 = ₩1,167 won), up 5.2 percent from the previous year. Total sales of food products in the retail sector amounted to 88.1 trillion won, up 6.3 percent from the previous year. In other words, food products accounted for 23 percent of the overall retail sector 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 sector 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	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

positive view on the quality and value of American products. English is the most popular foreign language in Korea.	entry of competitor products from more diversified origins.

Korea is the 11th largest economy in the world with a national GDP of $1.53 trillion and a per capita GNI of almost $30,000 as of 2017. Korea's 51 million inhabitants occupy a country the size of the state of Indiana. About 70 percent of the land is under mountainous terrain, and over 90 percent of the Korean population lives in urban cities. Rapid evolvement of the Korean economy and consumer lifestyles generate increased demand for quality, value, diversity, and convenience in the Korean retail sector. As a result, imports of consumer-oriented food and agricultural products continue a solid growth. Korea's imports of consumer-oriented products totaled a record $12.8 billion in 2017, or 37.9% of overall agricultural imports. The United States remained the leading supplier in the segment by accounting for a record $4.3 billion or 33.4% of total segment imports.

The outlook for American products in the Korean retail sector is excellent for a wide diversity of products, including beef, pork, poultry, seafood, processed vegetables, fresh and processed fruits, nuts, dairy products, juices, alcohol 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, will continue to expand export opportunities of American products in the Korean retail sector.

II. ROAD MAP FOR MARKET ENTRY

II-1. ENTRY STRATEGY

Korean retailers in general rely heavily on independent importers or middlemen 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.

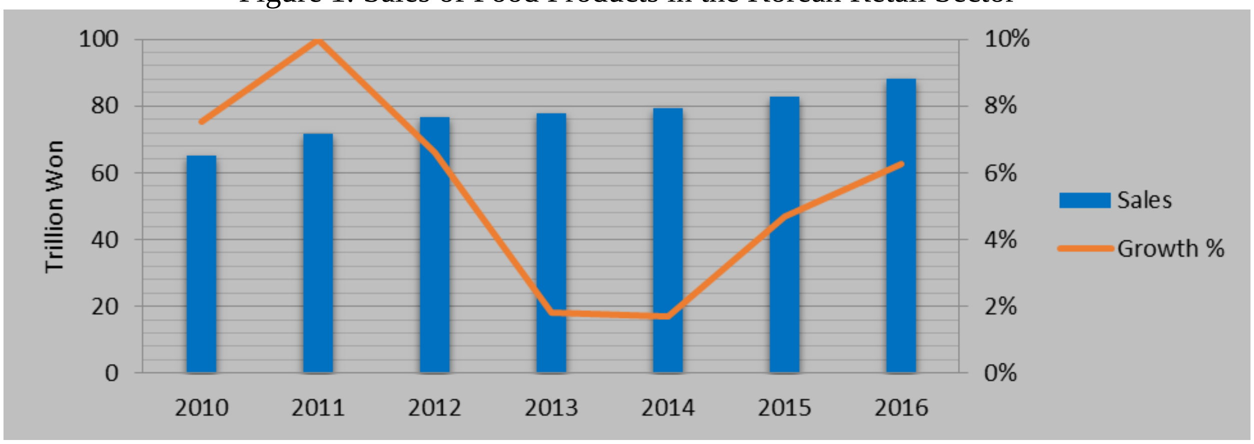
American suppliers are recommended to refer to below resources for additional information and guidance needed to establish an efficient entry strategy for Korea:

- 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.
- ATO Seoul website (www.atoseoul.com) provides various information about the Korean market, including product briefs, 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 sector with an estimated 31.9 trillion won of food sales in 2016, followed by hypermarkets (27.0 trillion won). However, in terms of growth, on-line retailers marked the highest, 84.0 percent growth of food sales between 2014 and 2016, followed by convenience stores (53.5 percent). Considering increased consumer demand for convenience and value, on-line retailers and convenience stores are likely to lead the growth of food sales in the Korean retail sector in the coming years. On the other hand, hypermarkets and department stores are likely to see stagnant food sales growth not only due to escalated competition from on-line retailers but also because of limited room to build new stores in the market. These conventional retail channels are starting to restructure space and product strategies to attract consumer traffic. Small-scale, family-oriented grocers and traditional street markets continue to see reduced food sales.

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



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

Table 2: Breakdown of Food Product Sales by Retail Industry Segment (Estimates, 2016)

Industry Segment	Total Sales	Share of Food Products in Total Sales (Estimates*)	Food Sales (Estimates)
Grocery Supermarkets	₩37.8 trillion	84.5%	₩31.9 trillion
Hypermarkets	₩52.9 trillion	51.0%	₩27.0 trillion
Convenience Stores	₩19.6 trillion	51.4%	₩10.1 trillion
On-line Retailers	₩65.6 trillion	13.4%	₩8.8 trillion
Department Stores	₩29.9 trillion	10.1%	₩3.0 trillion
Others**			₩7.3 trillion
Total			₩88.1 trillion

Source: Retail Industry Sales by Product 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 shopping industry product sales statistics' by Korea National Statistics Office.
**Note: Others include independent, family operated small retail shops and vendors in traditional street markets.

Figure 2: Breakdown of Food Product Sales by Retail Industry Segment (Trend)

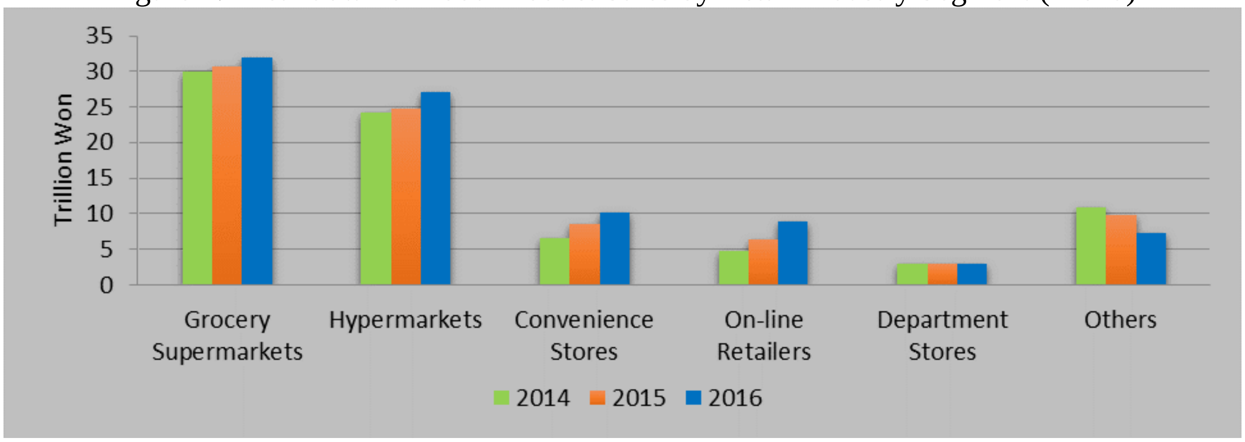


Table 3: Top Host Country Retailers (Year 2016)

Industry Segment	Company/Brand	Store #	Website
Grocery Supermarkets	Nongchukhyup / Hanaro Mart	2,120	nhhanaro.co.kr
	Lotte Shopping Co./Lotte Super	547	lottesuper.co.kr
	GS Retail Co./GS Supermarket	278	gssuper.com
	Seowon Utong Co./Top Mart	76	seowon.com
	Homepuls Co./Home Plus Express	366	homeplus.co.kr
	EMART, Inc./EMART Everyday	232	emarteveryday.co.kr
Hypermarkets	EMART, Inc./EMART, Traders	145	emart.co.kr
	Homeplus Co./Home Plus	142	homeplus.co.kr
	Lotte Shopping Co./Lotte Mart	112	lottemart.co.kr
	COSTCO Wholesale/COSTCO	12	costco.co.kr
Convenience Stores	BGF Korea Co./CU	10,857	bgfcu.com
	GS Retail Co./GS25	10,728	gs25.gsretail.com
	Korea Seven Co./Seven Eleven	8,859	7-eleven.co.kr
	Ministop Korea Co./Ministop	2,394	ministop.co.kr
	EMART, Inc./EMART24	2,104	emart24.co.kr
	Home Plus Co./365 Plus	401	
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
Department Stores	Lotte Shopping Co./Lotte Dept. Store	33	lotteshopping.com
	Shinsegae Co./Shinsegae Dept. Store	13	shinsegae.com
	E Land Retail Co./NC Dept. Store	18	elandretail.com

	Hyundai Dept. Co./Hyundai Dept. Store	15	ehyundai.com
	Hanwha Galleria/Galleria Dept. Store	5	dept.galleria.co.kr
Organic Grocery Retailers	ORGA WholeFoods	124	orga.co.kr
	COOP store	217	icoopstore.co.kr
	Chorocmaeul	468	choroc.com
	Hansalim	217	hansalim.or.kr
Health & Beauty Retailers	Lotte Shopping Co./LOHB's	90	lohbs.co.kr
	CJ OliveNetworks Co./Olive Young	913	cjolivenetworks.co.kr
	EMART, Inc./Boots	5	boots.ssg.com
	GS Retail Co./Watsons	134	watsons.gsretail.com

Source: The Yearbook of Retail Industry 2017, Korea Chain Store Association

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 20 Korean Imports of Consumer-Oriented Agricultural Products and Competition

Product Category/HS Code	Gross Imports 2017 ($ million)	1st Supplier	2nd Supplier	U.S. Ranking
Beef, Frozen/HS0202	1,543	U.S. (51%)	Australia (41%)	1 (51%)
Pork, Chilled or Frozen/HS0203	1,527	U.S. (26%)	Germany (25%)	1 (26%)
Food Preparations NESOI/HS2106	1,214	U.S. (58%)	N.Z. (7%)	1 (58%)
Beef, Chilled/HS0201	720	U.S. (55%)	Australia (45%)	1 (55%)
Cheese and Curd/HS0406	536	U.S. (39%)	N.Z. (15%)	1 (39%)
Bread, Pastry, Cakes, Biscuits/HS1905	367	Malaysia (17%)	U.S. (16%)	2 (16%)
Bananas/HS0803	365	Philippines (79%)	Ecuador (10%)	NA (0%)
Other Preserved Fruits & Nuts/HS2008	331	China (30%)	U.S. (15%)	2 (15%)
Other Nuts/HS0802	324	U.S. (92%)	Australia (4%)	1 (92%)
Chocolate Food Preparations/HS1806	324	U.S. (25%)	China (12%)	1 (25%)
Citrus Fruit, Fresh/HS0805	295	U.S. (88%)	S. Africa (5%)	1 (88%)
Beer made from malt/HS2203	263	Japan (27%)	China (14%)	7 (7%)
Other Vegetables, Prepared, Not Frozen/HS2005	257	China (75%)	Thailand (10%)	3 (8%)
Edible Offal/HS0206	248	U.S. (39%)	Australia (38%)	1 (39%)
Vegetables, Frozen/HS0710	241	China (90%)	Vietnam (6%)	3 (2%)
Sauces & Preparations/HS2103	223	China (38%)	Japan (21%)	3 (15%)

Sugar Confectionery/HS1704	219	China (21%)	Germany (19%)	4 (10%)
Wine/HS2204	210	France (32%)	Chile (19%)	4 (12%)
Spirits, Liqueurs, Alcohol less than 80%/HS2208	205	U.K. (72%)	China (6%)	3 (5%)
Poultry Meat & Offal/HS0207	200	Brazil (85%)	U.S. (7%)	2 (7%)

Source: Global Trade Atlas

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

Product Category/HS Code	Gross Imports 2017 ($ million)	Growth from 2016	U.S. Growth	U.S. M/S
Birds Eggs, Shelled/HS0408	28	482%	3,540%	51%
Coconuts, Brazil Nuts, Cashew/HS0801	81	86%	586%	2%
Lamb, Mutton, Goat Meat/HS0204**	121	75%	0%	0%
Tea/HS0902	16	53%	-24%	7%
Beer/HS2203	263	45%	79%	7%
Guts, Bladders, Stomachs/HS0504	75	39%	28%	47%
Vegetables, Preserved/HS0711	27	34%	0%	0%
Beef, Chilled/HS0201	720	32%	82%	55%
Butter/HS0405	51	30%	25%	8%
Cherries, Peaches, Apricots/HS0809	161	28%	32%	90%
Cheese and Curd/HS0406	536	25%	24%	39%
Fruit Juices/HS2009	187	23%	35%	36%
Pork, Chilled or Frozen/HS0203	1,527	20%	14%	26%
Coffee, Roasted/Not Decaffeinated/HS090121	158	20%	18%	45%
Cider, Perry, Mead/HS2206	27	18%	14%	9%

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

**Note: American meat has yet to re-establish market access in Korea due to BSE concerns.

IV. KEY FAS/USDA CONTACTS AND FURTHER INFORMATION

A. USDA/FAS OFFICES IN KOREA

U.S. Agricultural Trade Office Seoul (ATO)
Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea
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B. USDA COOPERATORS, STATES, INDUSTRY ORGANIZATIONS

Please refer to Korea Exporter Guide for contact information of USDA cooperators, state offices, and industry organizations that offer various export assistances.