

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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What's Hot in South Korea's Food Market

Report Categories:

Agricultural Trade Office Activities

Approved By:

Kevin Sage-EL

Prepared By:

Staffs of ATO and AAO

Report Highlights:

As you will see from several articles coffee continues to be one of the favorites among 'brewed' beverages in South Korea, particularly for cafes and also restaurants. Korea's Makgeoli, a traditional fermented beverage is the historical favorite from the alcoholic beverage category. However, imported beer gains some traction with consumers in Korea.

General Information:

1. ATO Director Comment

As you will see from several articles coffee continues to be one of the favorites among ‘brewed’ beverages in South Korea, particularly for cafes and also restaurants. Korea’s Makgeoli, a traditional fermented beverage is the historical favorite from the alcoholic beverage category. However, imported beer gains some traction with consumers in Korea. Despite this success, it is still a small percentage of total consumption of alcoholic beverages, indicating room for growth. Domestic Korean beer continues to dominate the market as indicated by the fact that locally brewed beer accounted for a 91.8 percent of overall beer sales in value (or 95.6 percent in volume) in 2013

2. Consumer Trends

Price of Imported Beer, Wine and Coffee was Most Expensive in Seoul among the Cities Surveyed Around the World [Korean, OSY]

<http://news.donga.com/3/all/20160121/76033084/1>

Summary: On January 20, Korea Consumers Coalition, a NGO group, announced outcomes of its 2015 consumer product price survey administered in 13 major cities around the world. Seoul was one of the top five cities that showed the highest consumer price for 31 products among 35 products surveyed. In particular, Seoul showed either the highest or second highest price for imported beer (Miller, Heineken, Asahi were part of the 8 brands surveyed), wine (Montes Alpha was the brand surveyed), and Starbucks Americano.

Leading On-line Restaurant Meal Home Delivery Order Service in Korea Marks \$1 Billion Transaction in 2015 [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2016011411431>

Summary: Bae-Dal-Ei-Min-Jok, the leading on-line restaurant meal home delivery order service company in Korea reported that the amount of consumer's meal purchases transacted through the service totaled 1.2 trillion won (about \$1 billion) in 2015, up 58 percent from the previous year. Total number of orders serviced was 63 million, up 54 percent from 2014.

Express Package Delivery Service Shows Explosive Growth due to Growth of On-line Shopping [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2016011410991>

Summary: The number of express package deliveries serviced by local companies totaled 1.8 billion in 2015, up 12 percent from 2014. Despite the growth of the business, the competition in the industry is elevated for lower cost and faster delivery, which pressures the leading players to make extra investment to expand the logistic capacity with additional warehouses, trucking fleet and IT management system.

Korean Consumers Direct Purchase from Foreign On-line Shops Decline in 2015 Due to Strong US Dollar [Korean, OSY]

<http://news.donga.com/3/all/20160113/75890397/1>

Summary: According to the Korea Customs Office (KCO), Korean consumers' direct imports from foreign on-line shops amounted to \$1.52 billion in 2015, down 1.4 percent from 2014. The number of shipments imported into Korea under the consumers' direct purchase from foreign on-line shops totaled 1.59 million, up 2.1 percent from 2014. Overall, Korean consumers' direct purchase from foreign on-line shops marked a weak growth in 2015 compared to 39 to 51 percent annual growth recorded since 2011, KCO summarized. The key reason for the weak growth was strong dollar exchange rate which went up to a record high level in 2015 since 2010. In addition, local Korean retailers came up with aggressive price discount events to compete against foreign on-line shops in 2015. The U.S. remained the leading origin (73%) of the products that Korean consumers purchased from foreign on-line shops.

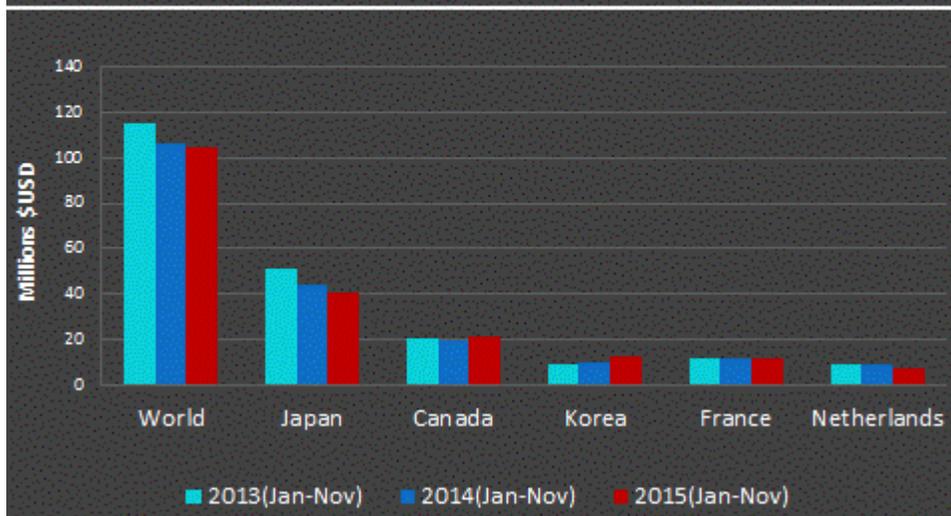
'King Marrygold Grapefruit' Sales Promotion in Lotte Mart [Korean, OSY]

<http://news.donga.com/3/01/20160107/75770099/1>

Summary: Lotte Mart, a leading hypermarket retail store chain in Korea, announced that it launched sales promotion on 'King Marrygold' grapefruit imported from the U.S. on January 7. 'King Marrygold' is a new citrus fruit developed from crossing between grapefruit and orange. Each fruit was offered at 3,500 won.



Korea, 3rd Largest U.S. Grapefruit Export Market



Cafe Market Reports Mixed Business Outcomes ... Tight Competition Generates Losers [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2016010650471>

Summary: Many cafe chains reportedly saw negative growth in 2015 because of elevated competition in the market. In particular, Cafe Bene, which once was the largest cafe franchise business in Korea, was sold to an investment fund after reporting 3 billion won of operation loss. Other major cafe businesses, including Coffee Grunaru and Zoo Coffee have closed down many stores due to sluggish sales. Several cafe chains are also offered for acquisition. On the other hand, leading players, including Starbucks, Paul Bassette, and TwoSumPlace have reported strong growth. For example, Starbucks has increased its stores in Korea to 850 at the end of 2015 based on its established marketing theme of world number one cafe chain. TwoSumPlace has increased its stores to 700 by successfully marketing its new brand theme of premium dessert cafe. Paul Bassette has increased its stores to 70 by successfully marketing its brand theme of premium quality coffee. It is also notable that the market has seen strong rise of low price cafe businesses reflecting sluggish economic environment. In particular, Baek Dabang has increased its stores to 280 since its launching a year ago as it attracted many consumers with

economic concerns.

E Mart Stages Special Sales Promotion for New Zealand Agricultural Products to Celebrate Implementation of Korea-New Zealand Free Trade Agreement [Korean, OSY]

<http://www.yonhapnews.co.kr/bulletin/2016/01/05/0200000000AKR20160105038100030.HTML?input=1195m>

Summary: E Mart, the leading large-scale discount retail store chain in Korea announced that it will stage 'New Zealand Product Promotion' that celebrates implementation of Korea-New Zealand Free Trade Agreement from January 7 through 13. The FTA went into effect on December 20, 2015. Key NZ products of the promotion include fresh cherries (offered at 9,980 won per 500g bag), avocado (2,380 won per each), and black current (7,980 won per 700g bag).

Mobile Shopping Accounted for a Record High, 49% of On-line Shopping Sales in November, 2015 [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2016010472201>

Summary: According to the Monthly Korea National Retail Sales Statistics for November 2015 released on January 4, 2016 by the Korea National Statistics Service (NSS), mobile shopping accounted for a record high, 49 percent of on-line shopping sales in the market. On-line shopping sales in Korea totaled 4.97 trillion won in November 2015, up 19.5 percent from November 2014. On the other hand, mobile shopping sales amounted to 2.44 trillion won, up 52.3 percent from November 2014.

Beer Consumption Up, Soju Down ... Consumer Prefers Less Alcohol Content Products [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2015122752291>

Summary: According to 'Processed Food Market Report' published on December 2015 by the Korea Ministry of Agriculture, Food & Rural Affairs (MAFRA), beer was the most consumed alcohol beverage among the Korean consumers in 2013. Koreans consumed 148.7 bottles of beer (360ml per bottle) in 2013, up from 139.8 bottles in 2010. Wine consumption also increased from 1.8 bottles (750ml per bottle) in 2010 to 2.2 bottles in 2013. On the other hand, soju (traditional local distilled spirits) consumption declined from 66.4 bottles down to 62.5 bottles. Hard liquor consumption remained unchanged at 2.7 bottles. Health concerns among the general public in Korea is reportedly expanding the sales of lower alcohol content products, beer and wine in particular, at the expense of higher alcohol content products, such as soju.

'Shake Shack' Burger Enters Korea with Partnership with SPC Group [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2015122106291>

Summary: SPC Group, a leading food & beverage franchise business in Korea, announced on December 21 that it had signed a business partnership to bring Shake Shack hamburger store chain into the Korean market. SPC added that the first Shake Shack store in Korea will open in early 2016. Korea will be the second market in Asia that will have Shake Shack stores, added SPC.

Increase of Single Member Households Generates Strong Sales Growth of Home Meal Replacement Products in Retail Stores [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2015122064351>

Summary: Leading Korean retail store chains are adding additional home meal replacement products in their stores to attract the consumers who eat alone. Home Plus recently introduced 14 frozen prepared meal products under 'Single's Pride' brand. E Mart recently introduced six fried potato products co-developed with JR Simplot under 'Peacock Kitchen' brand. Lotte Mart is scheduled to launch a new home meal replacement brand 'Yorihada' in December 2015 which will offer more diversified choices to the target consumers. Home Plus reported that its frozen home meal replacement products have seen 24.4 percent sales growth this year through November. E Mart reported that its home meal replacement products have seen 7.7 percent sales growth this year through November.

Department Stores Report Strong Dessert Sales [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2015121703411>

Summary: Department stores are reportedly expanding dessert sections as consumer demand for premium dessert products remains strong against the sluggish local economy. For example, Lotte Department Store is undergoing a renovation project in its flagship store in Myungdong, Seoul, which will increase the space allocated to dessert section by 20 percent upon completion in January 2016. The number of shops in the section will increase from 21 to 38. Department stores are also introducing higher quality, premium dessert shops. Many foreign premium dessert shops were introduced to leading

department stores this year.

Private Label Products Rapidly Expand Market Share in Local Retail Stores [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2015121484811>

Summary: Private label products are rapidly expanding market share in both large-scale hypermarket stores and convenience stores. For example, private label products were the leading products for bottled water, yoghurt, and bottled milk category in Home Plus hypermarket store chain. Low price was reportedly the key reason behind the outstanding performance of private label products. According to a survey by Korea Consumer Institute, price of private label products was 16.6 percent lower than national brand product in local retail stores on average. On top of that, mark-up profit gained by retail stores from selling private label products was three to four percent point higher than from national brand products, which was another reason that the retail stores were making efforts to offer more private label products.

Lotte Super Offers 3 Hour Home Delivery Service for On-line Orders [Korean, OSY]

<http://app.yonhapnews.co.kr/YNA/Basic/SNS/r.aspx?c=AKR20151208063000030&did=1195m>

Summary: Lotte Super, a leading grocery supermarket store chain in Korea, reported on December 8 that its third 'Lotte Fresh Center' in Seoul started operation. 'Lotte Fresh Center' is a distribution warehouse dedicated to provide home deliveries from on-line orders of fresh/chilled food and agricultural products under Lotte Super. Each 'Fresh Center' has the capacity to home deliver the product within three hours after the consumer's on-line order. Lotte Super has a plan to add 5 centers in 2016.

Market for Instant Coffee Mixes Shrinks ... Stock Price of the Industry Leader, Dongsuh Sinks [Korean, OSY]

<http://stock.hankyung.com/news/app/newsview.php?aid=2015120806061>

Summary: Stock market price of Dongsuh, a leading processor of instant coffee mixes in Korea, marked 32,000 won per share on December 8, which was 33 percent lower than the year high marked on August 11. The sharp decline in the stock price is due to continued reduction of the instant coffee mix market (instant coffee mix segment accounts for 75 percent of Dongsuh's business). Total sales of the instant coffee mixes in Korea in 2014 amounted to 1.06 trillion won, down 9.4 percent from the previous year. Sales of the industry this year through the third quarter marked 5.7 percent decline from 2014. Although average annual coffee consumption by a Korean adult increased 23.1 percent between 2009 and 2014 to reach 341 cups in 2014, most of the growth was by regular coffee (espresso and other products brewed directly from roasted beans).

E Land to Sell Off Kims Club Grocery Retail Store Chain [Korean, OSY]

<http://news.donga.com/3/all/20151201/75110446/1>

Summary: E Land, a leading retail company in Korea reported on November 30 that it had decided to sell off Kims Club chain to focus on fashion business. Under Kims Club chain, E Land currently operates 37 large-scale retail stores that sell both grocery foods and non-food consumer products. Annual Cash-register sales of the chain amounted to 1 trillion won (about \$0.9 billion USD) in 2014.

3. News

FAS/Seoul Monitoring of Media Reporting on Agricultural Issues

Today's Date: Friday, January 15, 2016

For Coverage: December 01 ~ January 15, 2016

1. BILATERAL/MULTILATERAL ISSUES

Korea-China Free Trade Agreement Takes Effect on December 20 [Korean, OSY]

<http://news.donga.com/3/all/20151209/75281802/1>

Summary: The free trade agreement between Korea and China is scheduled to take effect on December 20. Upon implementation, preferential tariff reduction for the Year One agreed under the FTA will take place. In addition, tariff

reduction for the year two will take place in only 12 days after the reduction for the year one on January 1, 2016. Tariff reduction on agricultural products will be minimal because rice, livestock, and fruits are excluded from the FTA. However, there are some Chinese agricultural products that will be subject to significant tariff reduction under the FTA, including Chinese Kimchi, shrimps, octopus, and sea clams.

Korea National Assembly has Ratified Free Trade Agreement with China, Vietnam, New Zealand on November 30 [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2015113049381>

Summary: Korea National Assembly ratified bilateral Free Trade Agreements that the Korean government has agreed with China, Vietnam, and New Zealand on November 30. The Free Trade Agreement with China in particular is expected to expand Korean exports to China by eliminating current Chinese import tariffs (9.7 percent on average). These FTAs are expected to take effect within the end of this year.

2. BIOTECHNOLOGY ISSUES

None

3. FOOD SAFETY ISSUES

Lab Analysis Found Faulty Labeling for Trans-Fat Content in Imported Cookies and Snacks [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2015120805671>

Summary: Korea Consumer Agency (KCA) under the Korean government reported on December 8 that its lab analysis found faulty labeling for trans-fat content in many imported cookies and snack products. According to KCA, 9 products among 60 tested contained much higher amount of trans-fat than the content shown on the product label. Products with faulty labeling were from Vietnam, Indonesia, Serbia, and Japan. Many of the products were showing "zero trans-fat" on the label but the analysis found 2 to 12 grams of trans-fat per serving volume. KCA added that it would work with the Korea Ministry of Food & Drug Safety to deploy tighter monitoring on the issue.

4. ECONOMIC ISSUES

Korean Economy Growth Could be Limited to 2.6 Percent in 2016, KDI [Korean, OSY]

<http://app.yonhapnews.co.kr/YNA/Basic/SNS/r.aspx?c=AKR20151209094751002&did=1195m>

Summary: Korea Development Institute (KDI, a Korean government think tank) forecast in its report released on December 9 that the Korean economy would grow 3.0 percent in 2016 provided that the international economy maintains a stable growth trend. If the international economic environment does not improve, the Korean economy growth could be limited to 2.6 percent, KDI added.

5. GRAIN & OILSEED ISSUES

<12/30/2015> S. Korea seeks rice supply-demand balance in 2018: gov't

<http://english.yonhapnews.co.kr/business/2015/12/30/98/0501000000AEN20151230004600320F.html>

Summary: South Korea is seeking a balance between the supply and demand of rice by 2018 through a gradual reduction in the size of paddies and expanding consumption. The Ministry of Agriculture said it wants to reduce the amount of arable land set aside to grow rice from 799,000 hectares this year to 711,000 hectares in 2018. This is significantly smaller than the expected 749,000 hectares of paddies that would be in service even if no action is taken. It said that in the next three years the government wants to increase annual per capita rice consumption to 58.1 kilograms. This is smaller than the 65.1 kg estimated for 2015, but higher than the 57.4 kg projected if no measures are taken.

In addition to reducing the size of arable land and fueling consumption, the government will reduce the size of rice held in reserve from 1.63 million tons as of November 2015 to just 800,000 tons in October 2018. Smaller reserves translate into lower costs for the government that has to maintain them. To increase demand, the government will move to use more rice to make livestock feed and alcoholic beverages. In the past, when South Korea did not produce enough rice, such practices were not allowed. To further increase demand, the government will support the export of processed food that uses rice as a base ingredient. In the move to lower rice reserves the government plans to release more grain for animal feed and lower prices of rice given to the socially disadvantaged.

<12/22/2015> *Rice exports to China underway*

<http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=3013090>

Summary: A Chinese delegation of quarantine officers will arrive in Korea today to conduct a week-long field inspection of domestic rice factories. A number of companies will likely be selected and authorized to export their products to China next year, the Gyeonggi Provincial Government announced in a statement Monday. Four officers plan to visit six rice-processing complexes nationwide. If deals are successfully agreed upon, it would mark the first time Korea has had the opportunity to export rice to China following the ratification of the Korea-China Free Trade Agreement last month. Four or five of the six companies on the itinerary are expected to be selected.

6. LIVESTOCK ISSUES

<1/12/2016> *S. Korea raises foot-and-mouth disease alert level (English, CSY)*

http://www.koreatimes.co.kr/www/news/nation/2016/01/116_195237.html

Summary: South Korea on Tuesday raised its foot-and-mouth disease (FMD) alert level one notch following its first confirmed case in nine months, the government said. According to the Animal and Plant Quarantine Agency (QIA), pigs at a farm in Gimje, 260 kilometers south of Seoul, tested positive for the highly contagious disease that affects cloven hoofed animals. The latest outbreak meanwhile comes after 185 cases of FMD were reported in the country from Dec. 3, 2014, through April 28, 2015. Since last April, no new case had been detected, which allowed authorities to downgrade the country's readiness posture to normal

<12/30/2015> *S. Korea resumes imports of Canadian beef*

<http://english.yonhapnews.co.kr/business/2015/12/30/0503000000AEN20151230008200320.html>

Summary: South Korea has resumed quarantine inspections of Canadian beef after no mad cow cases have been reported in the North American country in over 10 months, the agriculture ministry said Wednesday. The Ministry of Agriculture, Food and Rural Affairs said it has again started inspecting beef from cattle under 30 months old after halting all imports on Feb. 13. The ban went into effect after Canada confirmed a cow in Alberta was infected with bovine spongiform encephalopathy (BSE), also known as mad cow disease. The ministry said that Canadian and South Korea inspectors carried out on-site checks and held consultative meetings twice this month. It added the Paris-based World Organization for Animal Health (OIE) has categorized Canada as a "controlled BSE risk country" that can export meat. The latest lifting of the ban comes after South Korea stopped Canadian beef imports once before following the outbreak of the mad cow disease in 2011. It had resumed imports in March 2012. Canada is the country's fourth-largest beef exporter, following Australia, the United States and New Zealand.

7. MARKETING ISSUES

None

8. NORTH KOREA ISSUES

<1/14/2016> *Markets kick off the new year with shoes and sugary snacks in N. Korea*

<http://www.dailynk.com/english/read.php?catId=nk00100&num=13691>

Summary: The price of rice in North Korea has risen over the last week. A kg of rice cost 5400 KPW in Pyongyang and

Sinuiju, and 5500 KPW in Hyesan. A kg of corn kernels cost 2050 KPW in Pyongyang, 2100 KPW in Sinuiju, and 2200 KPW in Hyesan. The price of sugar determines the price of candy. Currently, a kg of sugar in the Pyongyang market costs 5900 KPW while a kg of candy costs 6400 KPW. The price of a kg of flour, which is the base of all the baked sweets, is 5280 KPW; these little cookies usually go for about 6000 KPW per kilogram. (1KPW=.0011US\$).

The price of flour rose by 200 KPW around New Year's this year due to the greater demand for sweets and other foods during the holiday season. Shape and design also factor into the price of baked goods. North Korean families with connections to traders or friends who have gone to China on special visas also bring in sweets from outside China--funny thing is a lot of the time those snacks end up being South Korean brands.

9. OTHER MISCELLANEOUS ISSUES

<1/11/2016> Koreans Consume More Coffee Than Rice (English, CSY)

<http://en.koreaportal.com/articles/10060/20160111/coffee-consumption-health-benefits.htm>

Summary: As much as coffee is a worldwide obsession, the beverage is well-appreciated in South Korea. A survey conducted by the Ministry of Health and Welfare and the Korea Centers for Disease Control and Prevention presented on Monday showed that Koreans consume coffee more frequently than rice, according to The Korea Times. Koreans reportedly drink an average of 1.7 cups of coffee per day, averaging 11.99 cups of the beverage per week. 3,417 people between the ages of 19 and 64 participated in the survey. The weekly intake of coffee was reportedly higher than those of many other foods frequently eaten in Korea. Rice was eaten 6.52 times per week, multigrain rice 8.93 times and kimchi, which is a staple in most meals, 10.76 times.

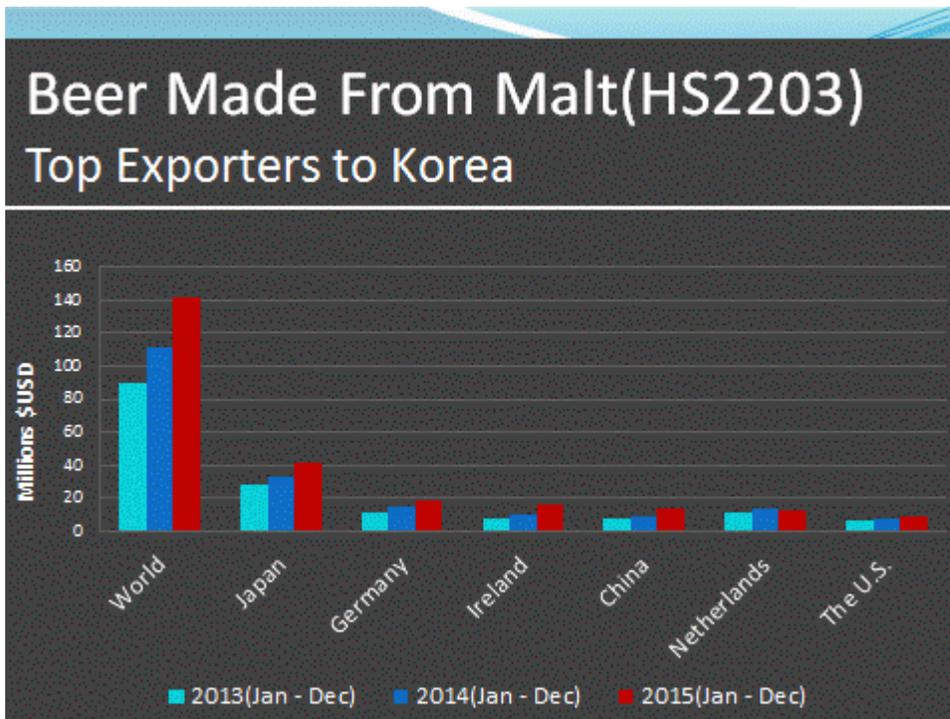
10. MIFAFF PRESS RELEASES

None

11. aT PUBLIC NOTICE OF STATE TRADING

None

4. SNAPSHOT from inside the KORUS-FTA



See ATO Seoul's [Beer Market Report Seoul ATO Korea - Republic of 2015-07-28](#) for more information.

5. Recent Local Events



The California Walnut Commission wrapped up its '2015 Product of the Year' with many new winning recipe ideas sure to hit the market. The past has shown that many of the entries do show up in cafes, supermarkets and restaurants following this promotional effort. For Korea, it is the third largest market for U.S. shelled walnuts, down slightly for January-November 2015 data valued at \$102.9 million.



For a fun event, the staffs of the Agricultural Affairs Office, the ATO, APHIS and members of the local cooperator community joined last December to celebrate the holidays.



The American Plywood Association brought members of the U.S. glulam and plywood industry to Seoul to meet with local buyers and distributors, seeking to address upcoming new regulations in the Republic of Korea that could negatively impact trade.