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What's Hot in South Korea's Food Market!

Report Categories:

Agricultural Trade Office Activities

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Report Highlights:

The ATO just completed its Korea Prelim of the United Tastes of America chef competition with a very successful outcome. Also, the Northwest Wine Coalition put on another very successful event. As is reported in one of the articles below, the success in wine exports to Korea is partially due to changing tastes by Korean consumers.

General Information: The ATO just completed its Korea Prelim of the United Tastes of America chef competition with a very successful outcome. Also, the Northwest Wine Coalition put on another very successful event. As is reported in one of the articles below, the success in wine exports to Korea is partially due to changing tastes by Korean consumers.

1. ATO Director Comment

As is reported in one of the articles below, the success in wine exports to Korea are due to changing tastes by Korean consumers. There is also an effort domestically to improve Korea's viticulture as well but in the meantime, there is plenty of opportunity for U.S. suppliers in this market.

2. Consumer Trends

E Mart to Open Another Distribution Warehouse Dedicated to 'On-line' Orders [Korean, OSY]

<http://news.donga.com/3/all/20160223/76637284/1>

Summary: E Mart opened its second distribution warehouse dedicated to on-line orders in Gimpo city (which borders Seoul to the east) on February 23. E Mart has reportedly been making heavy investments in recent years to compete against social commerce retailers. E Mart's key strategy is to provide lower price as well as quicker home delivery. The leading social commerce retailer in the market, Coopang, has established a strong growth based on its 'same day delivery' service.

Coopang currently operates 14 distribution warehouses in Korea and employs 3,500 home delivery staffs (Coopang's plan is to expand the infrastructure to have 21 distribution warehouses and 15,000 home delivery staffs by 2017). E Mart's plan to add additional distribution warehouses dedicated to on-line orders is a key tool to catch up with Coopang on the delivery time. The Gimpo warehouse is expected to increase E Mart's same day delivery service rate to 55 percent (from the current 46 percent).

Take-out Meals Rise to the Top Sales Product in Convenience Stores [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2016022380931>

Summary: CU, the leading convenience store chain in Korea reported that take out meals have become the top selling food product in its stores this year through February 22. CU explained that increased single member households in the market was generating strong demand for affordable and convenient meal options, particularly take out meals offered in convenience stores. CU plans to expand the sales of take out meals from current 10 percent of the total sales to 33 percent by 2026.

Convenience Stores Report Strong Take-out Meal Sales [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2016020967191>

Summary: Seven Eleven Korea, a major convenience store chain in Korea reported that its take-out meal products saw 90.2 percent growth in 2015. According to Seven Eleven Korea, evening time accounted for a 27.5 percent of the take-out meal sales, followed by lunch time (25.7 percent), which suggests that take-out meals offered in convenience stores should continue a strong growth in the coming year due to on-going expansion of single member households in the Korean society.

Korean Won-U.S. Dollar Exchange Rate Hits the Highest Point in Five Years ... Korean Won Further Weakens Despite Korean Government Concerns [Korean, OSY]

<http://news.donga.com/3/all/20160220/76551234/1>

Summary: The exchange rate of U.S. dollar against Korean won marked W1,234 won per \$1 dollar on February 19, which was the highest level since June 2010. Korean government and Bank of Korea made a press release on the day that the Korean authority would consider deploying necessary measures to correct the instability in the currency exchange market and bring the value of Korean won back to a proper value against U.S. dollar. However, market analysts in general currently maintain an opinion that Korean won would continue to remain weak against U.S. dollar. For example, Morgan Stanley has recently forecast that Korean won - U.S. dollar exchange rate would decline further to \$1 = W1,300 won level in the coming months.

Flower Market in Korea Shrinks ... Per Capita Expenditure on Flower Continues to Decline [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2016022105901>

Summary: Flower market in Korea is getting smaller. According to the Korea Agro-Fishery Marketing Corporation (aT), Korean's per capita expenditure on flowers amounted to 14,452 won in 2013, down over 30 percent from 2005's 20,870 won. Economic concerns are the key cause of the reduced consumer spending on flowers. As a result, local flower farms are reducing the production. According to the Ministry of Agriculture, the acreage of flower farms in Korea declined about 20 percent from 7,950 ha in 2005 down to 6,430 ha in 2013. Key flower wholesale markets are also reporting reduced sales. Yangjae Flower Market, the leading flower wholesale market in Korea that services Seoul metropolitan area has seen its monthly sales decline over 40 percent since 2012.

Korea's Imports of Snack Products Doubled in 10 Years [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2016022105891>

Summary: Ministry of Drug & Food Safety (MFDS) reported that Korea's imports of snack products (cookies and biscuits) amounted to 121,110 metric tons in 2015, which was 1.8 times larger than 66,000 metric tons in 2005. The import value almost tripled during the period from \$212 million in 2005 to \$634 million in 2015. The U.S. was the leading origin of the snack products imported by accounting for 20,500 metric tons of the imports in 2015.

Hypermarket Stores Declare Price War Against On-line Social Commerce Retailers [Korean, OSY]

<http://news.donga.com/3/all/20160218/76532569/1>

Summary: E Mart, the leading hypermarket retail store chain in Korea announced on February 18 that it will offer baby diaper and infant formula at the lowest price in the market. E Mart's announcement is reportedly targeted to the rising competition against 'On-line Social Commerce' retailers such as Coupang, Wemape, and Timon. For example, Coupang has deployed a very aggressive sales marketing on key consumer products, including diaper and infant formula, since last year. Many consumers have reportedly switched to Coupang for lower price as well as for the convenience of home delivery service. As a result, E Mart's sales of diaper declined 26.3 percent in 2015. Lotte Mart, another leading hypermarket store chain, announced on February 18 that they will offer a popular infant formula product at the lowest price in the market.

Price Increase of Key Consumer Food & Beverage Products Continues [Korean, OSY]

<http://news.donga.com/3/all/20160210/76372677/1>

Summary: Retail price of key consumer food and beverage products is on an increase in Korea. Coca-Cola Korea increased ex-factory price of its beverage products by 7 percent on average in December 2015. Pulmoowon, a leading food processor announced that ex-factory price of its tofu products and egg products was increased by 5.3 percent and 3.9 percent on average respectfully on January 7. McDonalds Korea announced that its hamburger price would be increased by 1.33 percent on February 11. Other food and beverage processors are likely to follow the trend and increase their prices in the coming month.

Wine Surpasses Whiskey in Imported Alcohol Beverage Market for the First Time [Korean, OSY]

<http://www.hankyung.com/news/app/newsview.php?aid=2016020967241>

Summary: Korea's wine imports totaled \$190 million in 2015, which was larger than whiskey imports (\$188 million) for the first time. Traders agree that increased consumer demand for products of lower alcohol content as well as diversified consumer tastes should generate additional demand for imported wine in Korea in the coming year. Beer imports also recorded a strong growth in 2015, amounting to \$142 million, up 26.9 percent from 2014. Traders point out that many imported beer are retailed in Korea at lower price than local beer due to foreign suppliers' aggressive promotions.

'United Tastes of America Asia Chef Challenge 2016 Korea Prelim ', Ahn Jong Sung - Song Kyung Sup Chef Team Wins the Korean Champion Prize

Summary: Korea preliminary competition of the '2016 United Tastes of America Asia Chef Challenge 2016', a global culinary event hosted by the U.S. Agricultural Trade Office and the U.S. Meat Export Federation (USMEF), took place on February 2 in Chungjungwon Cooking Academy Seoul. Among ten teams admitted to the competition, the team of chef Ahn Jong Sung and Song Kyung Sup from A Chef Culinary Academy Seoul won the Korean Champion prize. The Korean champion team will attend the grand final competition in Tokyo on March 23. Other U.S. industry participation included U.S. Potato Board, US Dairy Export Council, Sunkist, USA Rice Federation and California Walnut Commission.

<http://sports.chosun.com/news/ntype.htm?id=201512310100337490001202&servicedate=20160202>



<http://osen.mt.co.kr/article/G1110346901>



<http://www.yonhapnews.co.kr/photos/1990000000.html?cid=PYH20160202049500013&input=1196m>

http://www.hani.co.kr/arti/specialsection/esc_section/729256.html



3. News

FAS/Seoul Monitoring of Media Reporting on Agricultural Issues

Today's Date: ---Day, Month 2016

For Coverage: January 20 ~ __, 2016

1. BILATERAL/MULTILATERAL ISSUES

None

2. BIOTECHNOLOGY ISSUES

None

3. FOOD SAFETY ISSUES

None

4. ECONOMIC ISSUES

None

5. GRAIN & OILSEED ISSUES

Korea Rice Exported to China for the First Time ... 30 Metric Tons ... for Retail Sales in 69 Stores in Shanghi [Korea, OSY]

<http://news.kbs.co.kr/news/view.do?ncd=3224270&ref=A>

Summary: Korea Ministry of Agriculture, Food and Rural Affairs (MAFRA) reported that 30 metric tons of Korean rice was shipped to a container vessel in Gunsan port on January 29 for exports to China. It was the first exports of Korean rice to China, added MAFRA. The rice will be retailed in 69 Lotte Mart stores in Shanghi area. The retail price of Korean rice (5,000 won per kg) would be five times higher than Chinese local rice (1,000 won per kg). MAFRA explained that Chinese consumers' high confidence in Korean rice should overcome the price barrier. According to MAFRA, Japanese rice, another reference for premium quality rice, is currently retailed in China at 10,000 won per kg.

<1/29/2016> S. Korea's rice consumption hits all-time low in 2015 [English, CSY]

<http://www.koreatimesus.com/s-koreas-rice-consumption-hits-all-time-low-in-2015/>

Summary: Per capita rice consumption in South Korea hit a record low in 2015 as people added other types of grain products to their diet, government data showed Friday. The average annual consumption of rice per person fell to 62.9 kilograms (138.7 pounds) last year, down 3.4 percent from the previous year's 65.1 kg (143.5 pounds), according to data by Statistics Korea. This marked the lowest level since recordkeeping started in 1963, when consumption was 105.5 kg. To give you a better idea, in comparison to 128.1 kg (282.1 pounds) 30 years ago in 1985, South Koreans are eating less than half of what they used to eat in "Reply 1988" days.

Consumption of non-rice grain edged up to 8.8 kg in 2018 from 8.7 kg the year before, the statistical agency said. It said consumption of grains other than rice made up 12.3 percent of the country's diet last year. This number has been rising since 2011, when it stood at 9.4 percent.

Rice used by food and beverage manufacturers, on the other hand, rose a sharp 7.6 percent on-year to 575,460 tons, mainly due to an increase in demand for grain-based alcoholic beverages and processed food, the latest annual data showed.

<1/29/2016> S. Korea to export rice to China for first time in Feb [English, CSY]

<http://english.yonhapnews.co.kr/news/2016/01/29/0200000000AEN20160129004000320.html>

Summary: South Korea plans to export rice to China for the first time in February after both sides agreed on a set of quarantine requirements last year, the farm ministry said Friday. According to the ministry, 30 tons of rice will be loaded onto containers at Gunsan port on the west coast later Friday, which will leave in early February and arrive in Shanghai in mid-February for customs procedures. After clearing Chinese customs, the Korean rice will be marketed at 69 outlets of the Shanghai Lotte Market. The ministry plans to hold promotional events between late February and early March. The ministry said it plans to ship an additional 70 tons of rice to China in the middle of next month through Korea's Daewoo International Corp. and the China National Cereals, Oils and Foodstuffs Corp. The ministry said South Korea hopes to export a total of 2,000 tons of rice this year. Agriculture Minister Lee Dong-phil said entering the Chinese market will be an opportunity for Korea's rice exports amid continued imbalance in supply and demand of the key staple grain.

6. LIVESTOCK ISSUES

<2/2/2016> South Korea to beef up quarantine inspections for animal diseases [English, CSY]

http://www.koreatimes.co.kr/www/news/nation/2016/02/116_197023.html

Summary: The South Korean government said Tuesday that it will beef up nationwide quarantine inspections in order to stave off the wide spread of contagious animal diseases during the upcoming Lunar New Year's holiday. The outbreak of foot-and-mouth disease (FMD) at pig farms in the southeastern region was confirmed early last month, but no additional cases have been reported since then. The quarantine authorities lifted a movement ban imposed on pigs bred in the suspected area last week. Also, South Korea has not reported any additional confirmed cases of avian influenza (AI) since November last year.

<1/26/2016> Beef Prices to Climb [English, CSY]

http://english.chosun.com/site/data/html_dir/2016/01/26/2016012601636.html

Full text: Prices of Korean beef are likely to rise this year but pork prices will fall, the Korea Rural Economic Institute forecasts. The institute projects that the price of Korean beef will rise 2.5 percent per kilogram this year to W16,691 (US\$1=W1,198). Last year Korean beef cost W16,284, up 14 percent compared to 2014. Prices keep rising because cattle numbers are declining. There are expected to be 2.63 million head of cattle here this year, down 1.9 percent. Due to the soaring prices of Korean beef, imports from the U.S. and Australia increased 6.3 percent to 297,000 tons last year. But pork prices are expected to fall 11.6 percent to W4,364 per kilogram even though the number of pigs is also declining, from 10.13 million last year to 10.2 million.

<1/25/2016> Korean chicken soup exports to U.S. jump in 2015 [English, CSY]

http://www.koreatimes.co.kr/www/news/culture/2016/01/386_196244.html

Summary: Korean traditional ginseng chicken soup has made an aggressive foray into the United States since its first shipment in late 2014, boosting stagnant overseas sales from a slump in

Japan. Outbound shipments of samgyetang stood at 2,196 tons worth US\$9.85 million in 2015, up 27.8 percent from a year ago, data by the Korea International Trade Association (KITA) showed. The figure turned to growth for the first time in four years thanks to increased shipments to the U.S. Market watchers expected samgyetang sales to take off this year on the back of strong demand among 14 million Asian consumers in the U.S. Overseas shipments are expected to further gain momentum as a free trade agreement with China, South Korea's largest trading partner, took effect in December to lower tariffs and other trade barriers.

<1/20/2016> S. Korea's beef imports hit record high in 2015 [English, CSY]

http://www.koreatimes.co.kr/www/news/nation/2016/01/116_195850.html

Summary: South Korea's beef imports surged to a new record high in 2015 mainly due to a spike in local meat prices. Asia's fourth-largest economy imported more than US\$1.81 billion worth of beef last year, smashing the previous record of \$1.67 billion in 2014, according to the data by the Korea Customs Service (KCS). It was also the highest tally since the agency started keeping such data in 1995. The KCS said Australian beef imports reached \$972.9 million last year, making up 56.6 percent of the total, followed by U.S. beef imports that reached \$749 million that accounted for 41.3 percent. Imports from New Zealand, Canada and Uruguay made up the rest. In terms of volume, the country imported 295,369 tons of meat last year, the fourth-largest to date and up 5.6 percent from 279,706 tons the year before.

7. MARKETING ISSUES

None

8. NORTH KOREA ISSUES

None

9. OTHER MISCELLANEOUS ISSUES

<2/2/2016> Sajo Group acquires DongA One [English, CSY]

http://www.koreatimes.co.kr/www/news/biz/2016/02/123_197121.html

Summary: Sajo Group, a mid-tier business group focusing on deep sea fishing and processed seafood products, has acquired DongA One Group which is struggling under snowballing debt.

Sajo, headed by Chairman Ju Jin-woo, said Tuesday that its three subsidiaries formed a consortium to purchase an 85 percent stake in Korea Flour Mills, the holding company of DongA One Group, for 100 billion won. The flour maker has a 53.32 percent stake in DongA One Corp., which has controlling stakes in other group affiliates. Sajo Group is widely known for its deep sea fishing operations and producing a wide range of processed seafood products, including cans of tuna. Korea Flour Mills and DongA One Corp. have been under a creditor-managed workout program since last December after the latter failed to redeem maturing corporate bonds valued at 30 billion won.

<1/28/2016> S. Korea-aided sea shrimp farm opens in Sahara Desert [English, CSY]

<http://english.yonhapnews.co.kr/news/2016/01/28/0200000000AEN20160128005000320.html>

Summary: A sea shrimp farm has been dedicated in the middle of the Sahara Desert in northern Algeria with South Korean technology and capital, the Ministry of Oceans and Fisheries said

Thursday. The Shrimp Cultivation Research Center has indoor and outdoor shrimp farms and several research and office buildings on a lot of 10 hectares about the size of 12 soccer fields. The center can produce up to 100 tons of marine shrimp a year. The facility was built as a project of Official Development Assistance (ODA) of the Korea International Cooperation Agency (KOICA). Construction began in 2011 and finished in August last year. South Korean and Algerian experts began rearing shrimp in October 2015 and produced 500 kilograms of grown shrimp for the first time using the most up-to-date bioflock technology offered by the National Fisheries Research & Development Institute (NFRDI).

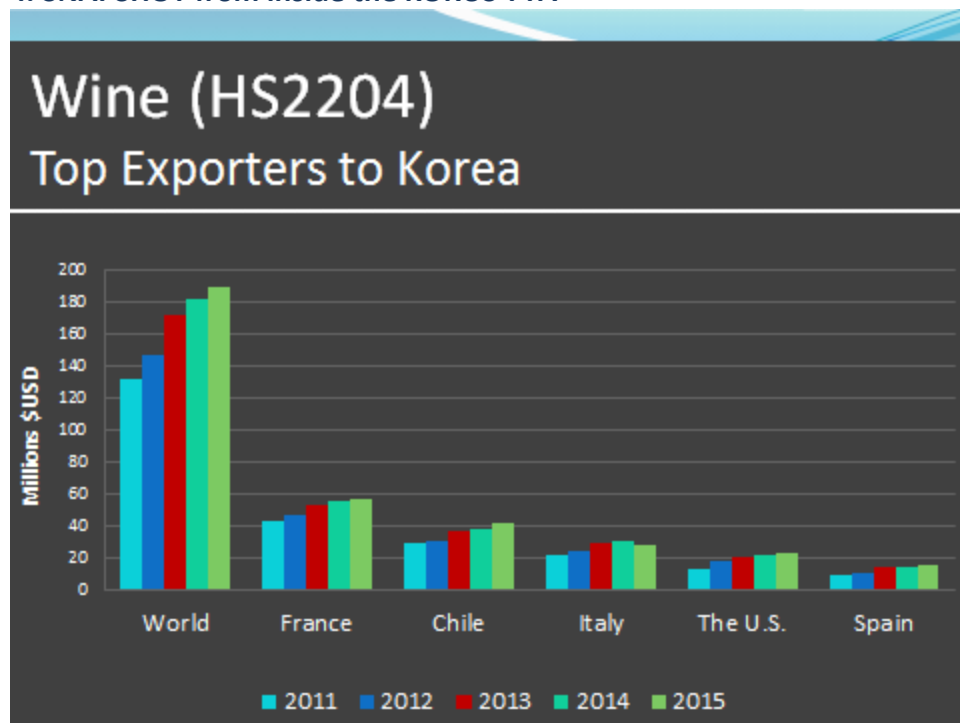
10. MIFAFF PRESS RELEASES

None

11. aT PUBLIC NOTICE OF STATE TRADING

None

4. SNAPSHOT from inside the KORUS-FTA



5. Recent Local Events



Feb 15 -18 CIO Visit - Feb 15 -18 CIO Visit - At the far end of the table is Jonathan Alboum, USDA/CIO, Mr. Richard Young, FAS/CIO, Mr. Theodore Kaouk from the office of USDA/CIO and Ms. Karen Darden, Director FAS/PGRS.



2nd Feb 2016 – **UTOA Chef Challenge** - Here we have the champions of the Korea preliminary (center), along with Ji Hae Yang of USMEF, Korea (next right) and on the far left, the competition coordinator, Alan Palmer.



25th January 2016 - NW Wine & US Food Show

Ambassador Lippert, center accompanied by Master Sommelier, Yoon Ha (next right) to deliver a toast at the Northwest Wine Coalition's wine and food show. In addition to the exhibited wine, USMEF, U.S. Potato Board and the Cranberry Marketing Committee also participated. Also joining the group from left to right, Mr. Knapper, DCM, Mr. Creamer, Minister-Counselor, David McCaleb, Bryant Christie, Marie Chambers, Oregon Wine Board, Tom Danowski, Oregon Wine Board, Kevin Sage-EL, ATO Director, Doug Marshall, Washington State Wine Commission and Micky Choi of Wine21.com and event planner. Since Oregon & Washington began its promotions in 2013, sales doubled to \$1.6 million. U.S. wine enters duty-free under the KORUS-FTA.