

SOUTH KOREA

Market Overview

USDA's Foreign Agricultural Service (FAS) Office of Agricultural Affairs (OAA) in Seoul, hereinafter referred to as "Post," and Food Export's In-Market Representative report that South Korea is the fifth largest export market for U.S. agriculture. Korea's total imports of agricultural and food products were US\$36 billion in 2020, US\$43 billion in 2021, and reached US\$50.16 billion in 2022.

The U.S. is the top supplier of Korea's food and agricultural imports, totaling US\$10.54 billion in 2022, an increase of 21% compared to the previous year. Other key suppliers were China, Australia, Brazil, and Vietnam. Korea's overall agricultural imports this year have increased due to increased demand from both the retail and processing sectors.

The import of consumer-oriented food products from the U.S has increased every year. From 2018 to 2022, imports rose from US\$5 billion to US\$6.66 billion. Top U.S. exports of processed foods in 2022 included food preparations and ingredients, processed/prepared dairy products, nuts, coffee, fruits, bakery products, processed meat, prepared/preserved seafood, fats and oils, non-alcoholic beverages, processed vegetables and pulses, and alcoholic beverages.

Total Korean imports of seafood in 2022 were US\$6.47 billion. The import of American seafood was US\$228.92 million, making the United States the fourth largest supplier with a 3.5% market share. U.S. seafood is generally considered high quality and safe, but less price competitive when competing with other origins. Fish fillets, fish surimi, flatfish, glass gel, Alaska pollack roes, skate, hagfish, cod, atka, mackerel, lobster, etc. are some of the major species imported in large quantities from the United States.

In addition, on-going trade liberalization should create new opportunities for products that currently face restrictive import barriers. These changes, along with the ongoing implementation of the U.S.-Korea Free Trade Agreement (KORUS), will offer more export opportunities for a wide variety of U.S. food products in the coming years.

Market Opportunities and Challenges to U.S. Food Exporters in South Korea

Opportunities:

- Korea imports 70% of food and agricultural products from the world and depends heavily on food and agricultural imports. Consumers closely follow international food trends.
- Korean consumers are very concerned about food safety. Many consumers recognize the United States as a trusted origin for quality agricultural products.
- Implementation of KORUS generates new opportunities for U.S. suppliers by reducing tariff and non-tariff barriers.
- Korea is a fast-paced market where new ideas and trends are eagerly tried and accepted. Rising incomes are creating demand for diverse and quality food.

Challenges:

- Many Korean consumers are biased toward locally produced agricultural products, believing they are better and safer than imported products.
- Imports are subject to strict food safety regulations. Korean food safety standards change frequently and with short notice.
- The supply chain for imported products includes multiple layers of intermediary distributors and agents, which adds cost and inefficiency.

Retail Sector

According to the Boston Consulting Group's (BCG) Korea E-commerce Industry Development Prospect Report, Korea's offline retail market was US\$224 billion in 2021 and US\$217 billion in 2022, while the e-commerce online market was US\$140 billion in 2021 and US\$158 billion in 2022. The e-commerce market is expected to increase US\$220 billion by 2025.

Post reports that Korean retail food sales totaled \$106 billion in 2021, accounting for 28% of total retail sales excluding automobiles. Grocery supermarkets are the leading food retail channel, followed by hypermarket discount stores, convenience stores, online retailers, and department stores. Online retailers and convenience store food sales are expected to grow faster than other channels. The fast expansion of online retailers is forcing conventional retail channels to restructure space and devise new strategies to attract consumer traffic.

According to Euromonitor, retail sales in the packaged food market in Korea were estimated to reach US\$32.9 billion in 2021. That represents an increase of 15.9%, or US\$4.5 billion since 2017. Korea is now the fifth largest packaged food market in the Asia Pacific region and is the 17th largest market in the world. By the year 2026, the retail sales in the packaged food market in Korea are expected to increase 9.9% to US\$37.4 billion, an increase of US\$3.7 billion over 2022. High-growth products in the forecast include pet food, ready meals, baked goods, confectionery, baby food, soups, dairy (i.e., cheese), processed meat, seafood, and meat alternatives.

Top product prospects include beef, pork and poultry, seafood, processed meat, processed vegetables, fresh vegetables, fresh and processed fruits, nuts, dairy products, juices, alcoholic beverages, condiments, sauces, processed organic foods, coffee, bakery goods, snacks, and confectionery.

Foodservice Sector

According to the Statistics Korea, monthly food spending per household increased from US\$679 in 2019 to US\$739.1 in 2021. Among overall monthly household food spending, spending on hotel, restaurant and institutional (HRI) products made up the largest portion at 43.9% in 2021. When compared to 2019, spending on HRI products made up 49.1%, but due to COVID-19 that figure went down. Instead, the spending for processed foods increased from US\$213.4 in 2020 to US\$218.7 in 2021.

Post reports that HRI foodservice industry in Korea experienced a sharp decline in consumer traffic during the COVID-19 pandemic. Although strong growth in online home delivery sales (up 78%) offset part of the impact, it is estimated that the industry's cash register sales declined 7% in 2020 to US\$109 billion.

The HRI foodservice sector of Korea, however, is forecast to recover, though at a slow pace.

Businesses are coming up with innovative strategies, and consumer spending on dining out is gradually increasing. Monthly per capita spending on HRI reached US\$120 (137,502 KRW) in 2021, up 6.8% from 2020.

Top product prospects include beef, pork, condiments and sauces, dairy products, nuts, fresh and processed fruits, processed vegetables, alcoholic beverages, and edible offal.

Food Processing Sector

According to Korea Rural Economic Institute's (KREI) 2022 Korea Food Yearbook report, Korea's food market amounted to US\$266 billion in 2020, including US\$125.9 billion for the food processing industry and US\$139.9 billion for HRI industry.

Post reports that Korea had over 30,000 food processing companies as of 2019, generating US\$56.1 billion in sales. Korean food processing companies rely heavily on imported commodities and ingredients. Imports of basic and intermediate agricultural products totaled US\$13.4 billion in 2020; 23% (US\$3.1 billion) of these imports came from the United States.

Korea has a strong food processing industry that manufactures a wide variety of food and beverage products. It relies heavily on imports for ingredients. As a result, the Korean food processing industry offers an outstanding opportunity for imported agricultural products for processing use, including basic commodities such as wheat and soybeans, intermediate ingredients such as vegetable oils and fruit juice concentrates, and food additives such as flavors and coloring agents.

According to Statistics Korea, the number of people living alone in Korea continues to rise, amid the fast-spreading trend of people staying single. Korea's household size gets smaller, one-person families have remained the most common household type, accounting for 41% of all households in the country in 2022. One person and two persons households accounted for 65% of all households in Korea. Food manufacturers and retailers target these consumers with smaller packages and convenient, easy to cook products. The continued expansion of single consumers will bring many changes to the Korean retail market in the coming years, including the growth of prepared/ready to cook meals. As Korea is a developed, aging society with small family sizes, Korean consumers are particularly looking for healthy, functional, convenient, ready-to-cook and ready-to-eat products.

Top product prospects include beef and pork fresh, chilled and frozen edible offal, sausage casings, dried fruit, fish and seafood, spices, cheese and curd, tree nuts, wheat and meslin, soybeans and soybean oil, chocolate, food preparations, malt, fruit juices, essences, and food additives, such as flavors and coloring agents.