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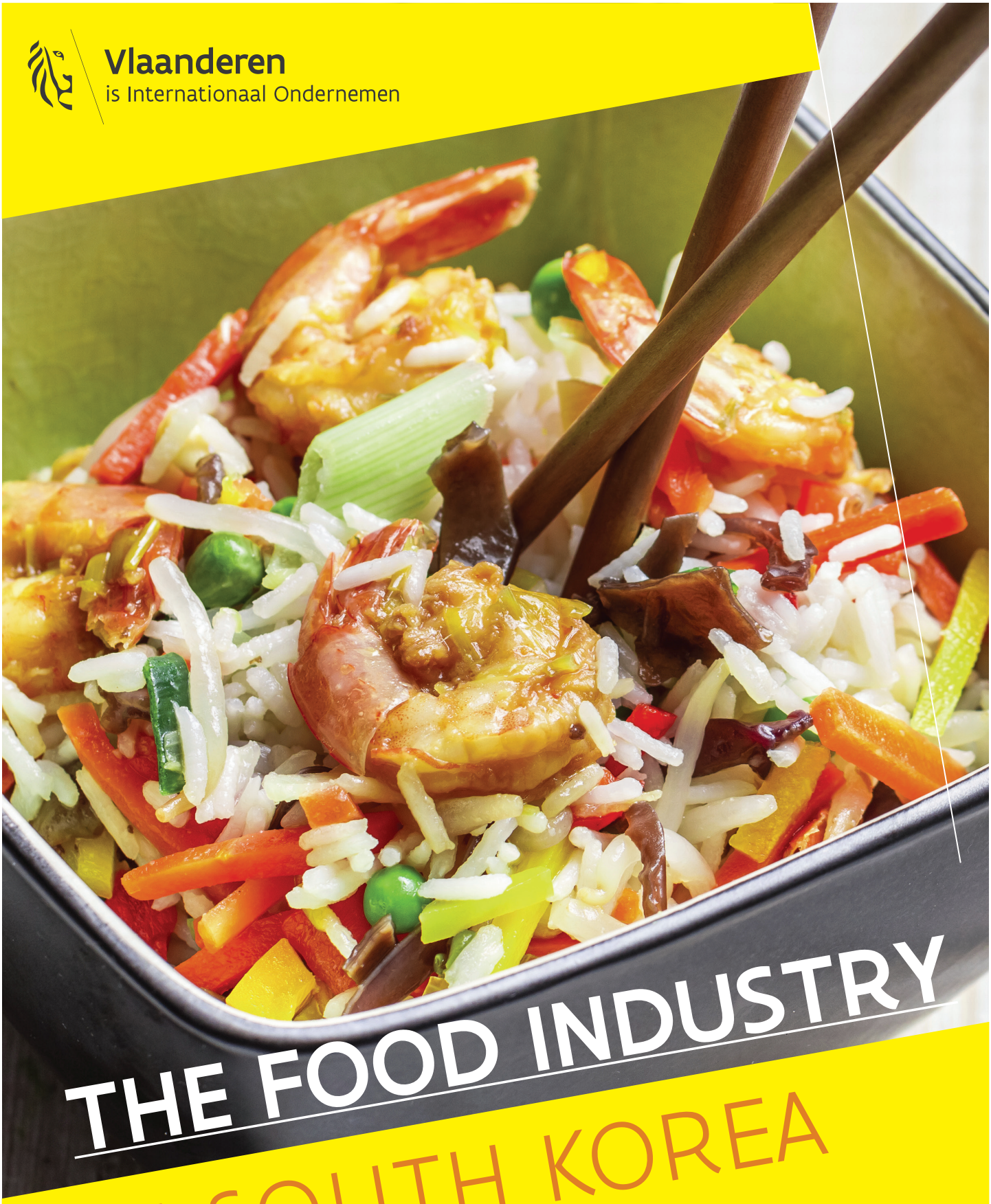

THE FOOD INDUSTRY IN SOUTH KOREA

FLANDERS INVESTMENT & TRADE ZOCHT HET VOOR U UIT

The Food Industry in South Korea

June 2014

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FLANDERS INVESTMENT & TRADE
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1. Before You Start Reading

We advise you to check the latest Korean legislation and import regulations before sending your goods to South Korea. This can be done by contacting your Korean importer or by getting in touch with the Korean Customs Authorities. The Korean embassy in Brussels or Flanders Investment and Trade can also be of assistance.

The exchange rates used in this study are
1 Euro = 1394 Korean Won
1 USD = 1022 Korean Won
(28 May 2014):

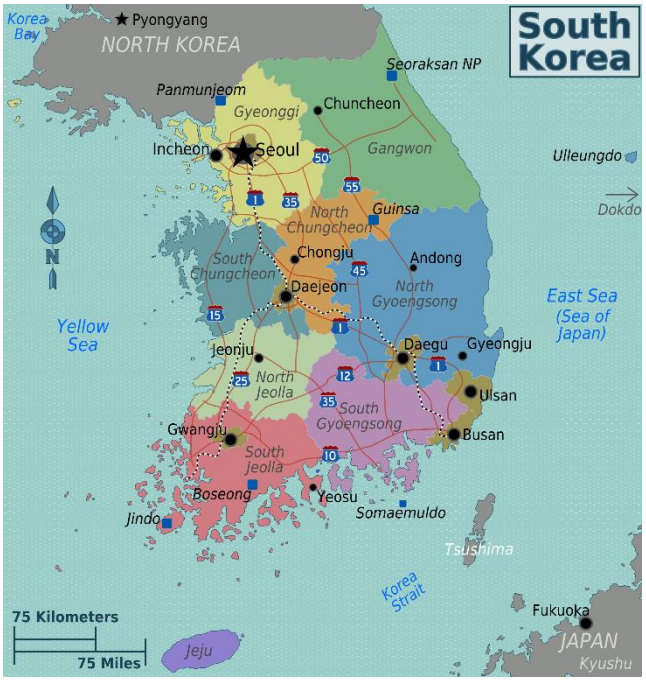
In this study the terms Korea and South Korea are used interchangeably. Both refer to the Republic of Korea/

Statistical material can vary depending on the source.

This report was compiled by the Flanders Investment and Trade Seoul office in the spring of 2014.

2. The Korean Food and Beverage Market at a Glance

Data and Statistics



Korea is a high income country with an export-oriented economy. It is a member of the G20.

This Asian tiger was the world's 15th largest economy in 2013 with a GDP of USD 1.304,6 billion. The per capita GDP in Korea mounted to USD 25.953 in 2013. In 2013, the growth of the GDP was 2,8%. According to the OECD's most recent forecast Korea's economy may accomplish a 4% growth in 2014. Korea is the 7th largest exporter in the world and 9th most important importer.

Korea has a very high population density. Seoul, the nation's capital, has grown into a global metropolis. In Seoul city there are about 10,5 million inhabitants of which 279.000 are foreigners. Other major cities are Busan (3,5 mio), Incheon (2,5 mio), Daegu (2,5 mio) and Daejon (1,5 mio). In 2012, the number of inhabitants surpassed the 50 million mark.

Since 2012, South-Korea is a member of the 2050 elite club. These are countries with a population above the 50 million and an income per capita higher than 20.000 USD.

South Korea is very dependent on import for its supply of food, as 60 to 70% is imported. This figure has been increasing every year as local agriculture and food production is insufficient to keep up with the increasing demand of its 50 million inhabitants. According to the 2013 food industry survey, conducted by Ministry of Agriculture and Forestry and the Korea Agro-Fisheries and Food Trade Corporation, more than 70% of food ingredients used in the Korean food industry were from abroad. In 2012, the total consumption of raw food material was 1.504.000 tons and only 29,7% were from local farmers.

Agricultural land in South Korea has been rapidly decreasing. Arable land accounts for only 14,93% of the total land use and around 12.000 ha of arable lands are disappearing every year due to urban expansion. As of 2012, 6,4% of Korean households are engaged in agricultural activities and this figure also steadily decreases.

Nevertheless, the increased demands for high quality food products by the South Koreans leads to remarkable growth in the food market. As of 2013, the per capita food consumption of South Korea is around USD 1.069.

Also, Korean consumers place value on high quality, low cost, healthiness and when making food purchasing decisions. The demand for products, such as meat, coffee, wine, sauce preparations, and confectionery items is growing and the domestic processing industry lacks the capacity to supply these items.

This lack of self-sufficiency, growth of purchasing power and demand of the Korean consumers means that Korea will remain one of the top markets for European food and agricultural products for the foreseeable future.

The EU-Korea Free Trade Agreement (FTA) came into effect in July 2011. With respect to agricultural and food products, the EU-Korea FTA is expected to create more opportunities for European exporters, mainly with regards to processed food, dairy and alcoholic beverages. As most import tariffs are abolished or will decrease, this creates a comparative advantage for European products in Korea.

Korea is strong in logistics and has an efficient distribution system. The retail industry is well developed and continuously growing.

All these factors combined result in opportunities for the Flemish food and beverage exporters in South Korea.

Korean Food Imports by Sector

Chapter & Description	2013		2012		2011	
	World	Belgium	World	Belgium	World	Belgium
01: Live animal	57.834	518	65.775	452	76.047	590
02: Meat, edible meat offal	2.690.536	29.018	2.870.686	39.239	3.454.807	55.498
03: Fish and crustaceans, mollusks and other aquatic invertebrates	3.136.336	0	3.218.487	0	3.413.904	0
04: Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	721.166	3.155	645.071	8.761	763.244	15.287
05: Products of animal origin, not elsewhere specified or included	383.353	0	285.584	0	245.387	229
06: Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	70.346	24	66.714	15	62.393	16
07: Edible vegetables and certain roots and tubers	723.125	446	700.413	462	682.612	332
08: Edible fruit and nuts; peel of citrus fruit or melons	1.396.514	118	1.298.003	82	1.054.276	105
09: Coffee, tea, mate, spices	492.639	468	578.781	334	718.546	352
10: Cereals	4.832.224	0	4.603.824	1	4.625.865	213
11: Products of milling industry; malt; starch; inulin; wheat gluten	254.627	3.964	269.780	3.603	263.414	1.858
12: Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	1.756.400	57	1.681.075	35	1.448.260	16
13: Lac; gums; resins, and other vegetable saps and extracts	169.189	182	160.466	95	145.983	375
14: Vegetable plaiting materials; other vegetable products	43.868	0	36.932	0	28.376	0

15: Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	1.125.637	4.065	1.399.337	2.187	1.463.663	2.676
16: Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates	583.278	0	566.996	0	596.102	0
17: Sugar and sugar confectionery	1.295.848	8.181	1.369.734	6.538	1.469.237	7.458
18: Cocoa and cocoa preparations	354.592	23.775	339.886	21.541	339.470	21.764
19: Preparations of cereals, flour, starch or milk; pastrycooks' products	531.541	12.427	499.274	8.522	457.993	8.980
20: Preparations of vegetables, fruit, nuts or other parts of plants	884.048	4.554	851.279	3.716	781.522	3.617
21: Miscellaneous edible preparations	1.174.527	8.623	1.119.575	8.385	1.156.542	10.028
22: Beverages, spirits and vinegar	808.318	5.029	790.453	2.503	732.489	2.268
23: Residues and waste from the food industries; prepared animal fodder	2.359.078	2.376	2.023.349	2.308	1.781.653	2.944
Total	25.845.024	106.980	25.441.474	108.779	25.761.785	134.606

Source: kita.net, complied by FIT Seoul
1.000 US Dollars, Base on CIF Value

Advantages and Challenges for the Korean Food and Beverage Industry

Advantages

The gross national income per capita (GNI) totaled USD 30.972 in 2012. This number has been growing steadily thanks to the strong exchange rate and economic growth. The purchasing power of the Koreans has increased again as well, the household disposable income has risen with 2% from 2011 to 2012. The Korean food consumption per capita in 2013 was USD 1.069. Along with this higher purchasing power, the gradual increase in population stimulates the demand for food and beverages as well.

The Korean market is open for European food and beverages. From the Korean perspective the label "made in Europe" stands for good quality. Increasing affluence of Koreans is shifting consumer focus from price to quality. There is a demand for Belgian products like chocolates and beers. Healthy food, biological and organic products as well as dietary products are gaining importance.

The last years the import of foreign food gradually increased. The import rose with 19% in 2010 and with 32,7% in 2011. In the table with trade statistics on the previous pages, we see that in 2012 there was a slight decline in the import, though in 2013 the global import overtook the 2011 levels once more. Unfortunately for Belgium, our exports to Korea have decreased in the last 2 years.

Since July 2011 an EU-Korea Free Trade Agreement is in force. Thanks to this FTA certain high taxes have been abolished or will gradually disappear.

All important Korean importers with the best market penetration and good distribution networks have been identified by the Flanders Investment and Trade office in Seoul. This can help Flemish exporters who would like to break through on the Korean market.

Challenges

There is a strict import legislation which can change occasionally. The customs regulations are severe on phytosanitary measures, GMO and labeling. There are onerous inspections and/or customs clearance procedures.

Challenges for export are the language barrier, adaptation to the Koreans tastes and marketing, high marketing costs… Also tolerances for additives/preservatives are different from EU standards

Korea's food prices rose significantly in 2011, according to the OECD, by 8,1%. In 2012, the increase was 4%. Amongst the OECD countries, Korea sees some of the highest increases in food prices.

3. Market Approach

Taking the First Steps

STEP 1: Prepare yourself

When considering the Korean market, exporters should conduct preliminary research to determine if the market is appropriate for their product. It may not be possible to market the exact same product in Korea as in Belgium. Korean consumers may have different demands or tastes.
Do your homework by reading about Korea. We advise you to read the country profile on South Korea on the FIT website. In this report you can find information on market approach, business customs, economic information… Check the legislative and import regulations for your product.
You can contact your provincial FIT offices or FIT Seoul office to get more information on the South Korean market. Also the Korean embassy and Korean trade agencies (KITA and KOTRA) can be contacted in Brussels.

STEP 2: Meet Korean businessmen

Direct selling to consumers or supermarkets is rare. An agent working on commission is called an *offer agent*. General traders can also be found in Korea. Most business in the food and beverage market is done via a Korean importer. The main challenges for the seller are language barrier, adaptation to local tastes and import regulations. A well-developed relationship with a Korean importer is an asset when determining how best to market a product.

The best way to find an importer is through introduction. It is very helpful to have a formal introduction to the person or company with whom the seller wants to do business in Korea. Meeting the right person in a Korean company is almost always dependent on having the right introduction. A good place to get lists of contacts of Korean importers is Flanders Investment & Trade in Seoul. “Cold calling” usually doesn’t work with Korean businessmen.

Another way of finding potential importers is to participate in a local food show to showcase your products to a larger audience. (See appendix 1)

Many Korean importers attending these shows are looking to establish reliable long-term trading relationships. Show participation enhances initial contacts with importers, agents, wholesalers, distributors, retailers and others in the food and beverage industry.

Currently, there are several trade shows supported by Flanders Investment & Trade Seoul: *Seoul Food & Hotel* in Korea and invitation campaigns of Korean buyers to *ISM* or *Anuga*. During these fairs we invite Korean buyers to visit the large Belgian/Flemish pavilions. This results in a great match-making opportunity for Belgian exhibitors and Korean importers. FIT Seoul will organize business meetings and translation services on site at Anuga 2015.

The *Seoul Food & Hotel* fair is held in Ilsan, in the suburbs of Seoul, usually in May every year. The show presents an excellent chance to explore possible market opportunities in Korea. This show is a trade-only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc. It is the only trade-only show in Korea. All other shows cater mostly to consumers. In general, FIT Seoul participates there every year with a booth. Food importers are invited to our booth each year.

STEP 3: Develop the relationship and start selling

Once you have met an interesting potential Korean partner take the next step.

This might include sending catalogues, brochures, product samples, and price lists to prospective importers as a way of introducing the company and products. When contact with an importer is established, it is advisable to visit the importer in person. There is no substitute for face-to-face meetings. The supplier or exporter should bring samples as well as product and company brochures including price lists, shipping dates, available quantities, and any other information needed for negotiating a contract. It is very important that all information be available in English.

Develop this into a personal relationship. Personal ties, trust and mutual respect are key words in business affiliations. Koreans will invite you to evening gatherings like dinners…

Korean and Belgian businessmen might have different meanings to the trust in the business relationship. For Koreans a deal is looked at as a guide line. This can clash with the Belgian business culture which likes everything in writing. Be sure to understand each other's expectations.

Finally in the Korean market, never take anything for granted. Be ready for the unexpected. Be open for new information, be attentive and patient.

Preferences of Korean Consumers

Traditionally, South Korean consumers have been quite conventional; however they now are rapidly picking up international influences, particularly with respect to food. Higher levels of education, travels abroad, international tourists, and globalization… have all helped to broaden horizons and open the door to new and innovative products. The traditional Korean diet is changing to include more meat, wheat, coffee…

There is a general preference for national brand products and/or products that have long been recognized in the market. Quality is very important so if the quality of the foreign product is better, they will switch to it. Price is less important than quality.

South Korean consumers are also increasingly health-conscious, seeking food products that are healthy or have specific health attributes. South Korea has a long tradition of food use in medicine, and the popularity of these kinds of food products remains strong. The sector of "bio" and natural food is increasing year after year.

It is also important to note that Korean customers are very sensitive to food safety issues. They tend to get their information through the media and trust it. Once a "food scare" rumor gets publicity, that food is affected and its reputation is quickly damaged. It takes a long time to regain trust in the safety of that food product.

Korea is a hip, trendsetting country in Asia. Korea is developing the brands of K-pop, Korean soap series and films, electronics but also K-food. Koreans are attracted by brands, good marketing, appealing labeling and packaging…

We advise you to visit different shops in Korea. Go to hypermarkets, convenience stores, online shopping channels and watch TV commercials, magazines, TV shopping channels… This might give you an idea what attracts Korean consumers.

So, today‘s South Korean consumer is a sophisticated mixture of traditional culture and values with international influences, who is interested in new and different experiences but with high expectations on quality, marketing and safety.

4. Food Import Regulations

Since the inauguration of president Park Geun-Hye in 2013, food safety has gained importance and is one of the president's top priorities. This has resulted in the reshuffling and reorganization of several ministries and government agencies.

The Republic of Korea has a well-developed legislation and procedures on food import. The key players in enforcement of these laws are the Ministry of Food and Drug Safety (MFDS), the Animal and Plant Quarantine Agency (QIA) and the Korea Customs Service (KCS). In this chapter we will have a brief look at those organizations and some of the more important rules and regulations.

Belgian exporters need to ensure that all necessary customs clearance requirements have been verified with local authorities through the Korean importer before the sale conditions are finalized. Final import approval of any product is always subject to the standards and regulations as interpreted by the Korean official at the time of product entry.

We advise you to contact the Federal Agency for the Safety of the Food Chain (Dutch: FAVV www.favv.be) in Belgium. They issue certain certificates to export food to South-Korea and usually have the latest info on import/export regulations.

When importing food into Korea these general import documents are required:

1. Commercial invoice
2. Bill of Lading or Airway Bill
3. Packing List
4. Certificate of Origin
5. Names of all ingredients with composition percentage of major ingredients
6. Processing Flow Chart
7. Certificate of Production Date
8. Packing material (not required for bottles, cans and paper packages)
9. Phytosanitary Certificate (for meat, fruit, nuts, vegetables, plants, grains…)
10. Other relevant certificates e.g. non-biotech certification for corn, soybeans and potato, registration of seeds, health certificates for live animals…

There are numerous food standards and regulations depending on your type of product. This report describes only the basic guidelines of Korea's import requirements. For more tailor-made details on Korean import regulation, please contact the FIT office in Seoul. We also advise you to take a look at the chapter on import regulations in our South Korea country profile via our website www.flandersinvestmentandtrade.be.

Ministry of Food and Drug Safety (MFDS)

The Korea Food & Drug Administration (KFDA) was, until recently, the government agency responsible for all the relevant food safety activity in Korea, except for meat & poultry products. The organization was restructured in 2013 and expanded to now include agro-livestock and fisheries. The KFDA was "promoted" to a full-fledged ministry; the Ministry of Food and Drug Safety (MFDS).

More information can be found on www.mfds.go.kr/english.

The main laws regarding food are the Food Sanitation Act, the Food Safety Basic Act, the Health Functional Food Act, and the Special Act on Safety Control of Children's Dietary Life. These set the

framework to ensure the safety of foods, food additives, and health functional foods for human consumption.

The MFDS executes what is written in the laws and is guided by codes in doing so:

- The Food Code stipulates standards and specifications for manufacturing processing, usage, cooking, storage of food and equipment, containers and packaging for food products. You can consult it online via http://www.kfda.go.kr/eng/index.do?nMenuCode=63
- The Food Additive Code guides the use of all food additives in Korea. This means that only food additives registered in the Korean Food Additive Code are allowed for use in food products. You can consult it online via http://fa.kfda.go.kr/foodadditivescode.html

The Food Safety Bureau of the MFDS is responsible for all the food safety activities regarding policy, enforcement, inspection and surveillance, nationwide monitoring of contaminants in food, to protect the health of the consumers by ensuring the safety of foods from farm to table.

MFDS has different tools to ensure the safety of imported goods. These can be found online via http://www.kfda.go.kr/eng/index.do?nMenuCode=67. On this link you can find information regarding onsite inspections, registration for prior inspection completion system, requirements for health functional foods, GMO …

We will have a closer look at some of MFDS's requirements and procedures:

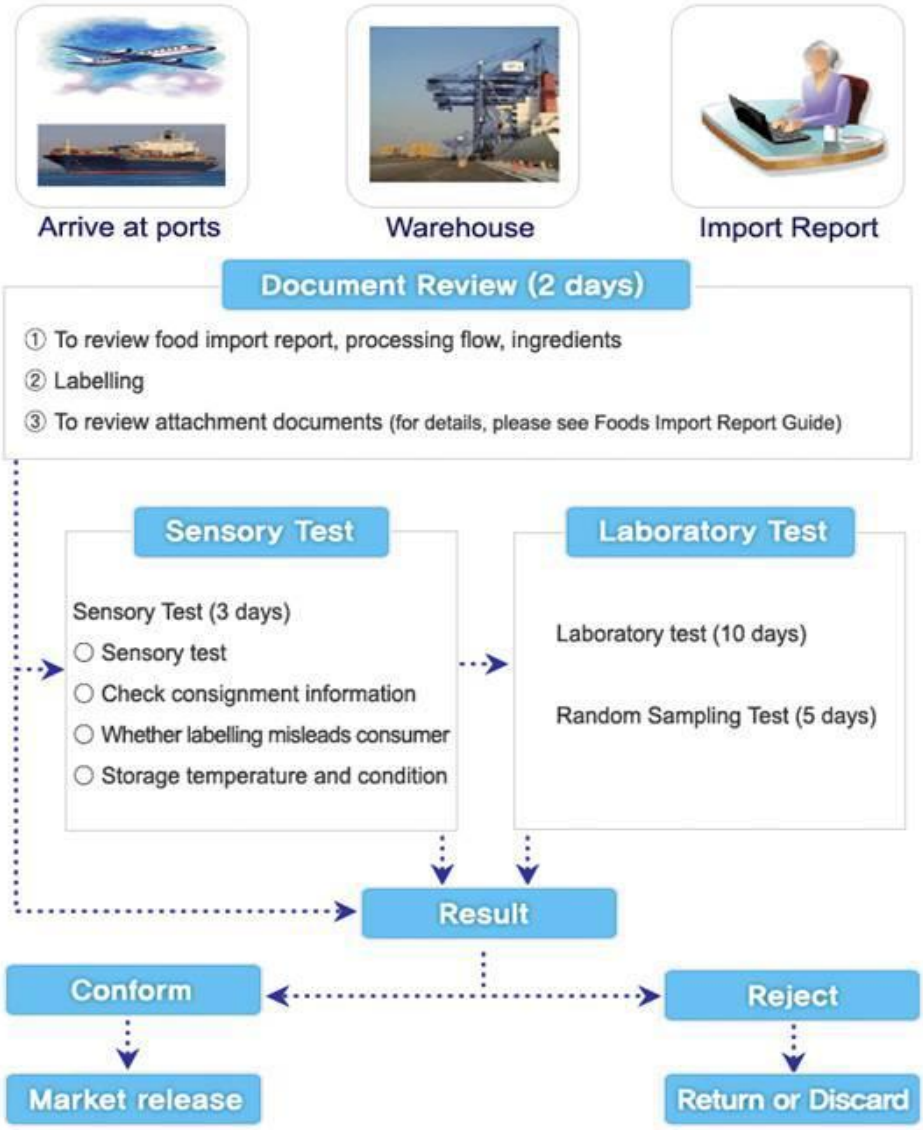
Inspection Procedure for Imported Foods

The clearance procedure starts with the application of the importer (importer's application for certificate for import). When the importer files the "entry report for foods", MFDS will decide upon the inspection method. The type of inspection to be conducted is determined in accordance with the guidelines for inspection of imported food products.

The types of inspection that a given food product may be subject to include:

- Document Review (2 days)
- Once the product conforms to standard as a result of laboratory test, the next consignment of the same product goes to document review
- Ingredients for processing
- Flavour (food grade) and utensils·containers made with woods or stones
- Sensory/Visual Test (3 days)
- Once agricultural produce conforms to standard as a result of lab analysis, the next consignment of the same produce goes to sensory test
- Any product which is required for checking characteristics (flavor, taste, color), storage, labelling and/or package
- Laboratory Test (10 days, 14 days for canned or retort foods)
- The first import of a product
- The product with rejection record or risk information from various sources
- In case that standards or specification has been changed
- Random Sampling Test (5 days)
- Products are chosen by MFDS system according to annual random sampling plan

Foods or Health Functional Foods Imported for Commercial Purposes



With a positive inspection the MFDS issues a certificate to the importer who can start the customs clearance with this document.

MFDS operates a pre-clearance program that recognizes foreign laboratories as official testing laboratories. This program aims to enhance the efficiency of conducting inspection of imported foods. MFDS authorizes foreign laboratories and recognizes inspection certificates or certificates of laboratory test results issued by these authorized laboratories. Since December 2013, 74 laboratories outside of Korea have been certified by the Korean authorities. They can be found on this link: http://www.mfds.go.kr/files/upload/eng/FOL_list.pdf

At the time of writing, there are no Belgian laboratories that have been authorized by MFDS.

Labeling Requirements for Processed Food

All imported food products have to be labeled in Korean language. All necessary information should be put on the label. Korean language stickers can be applied at the port of entry. KFDA inspects labeling of imported food products once they are imported.

Korean importers should inform the Belgian exporters of the Korean labeling requirements before they import any products.

With the exception of 102 meat, egg, and dairy products, which are regulated by the Ministry for Food, Agriculture, Forestry and Fisheries, all imported food products are required to be labeled with the necessary information in Korean. The sticker should not be easily removable, should not cover the original labeling and letters have to be large enough for easy reading. For functional food items, however, stickers are not permitted. Manufacturer-printed Korean language labels must be used on functional food products.

These elements must be printed on the labels:

- Product Name: The product name should be the same to the product name declared to the licensing/inspection authority.
- Product type: This is mandatory for specially designated products, such as teas, health supplementary foods, etc.
- Importer's name and address, and the address where products may be returned or exchanged in the event of defects.
- Manufacture date (month, and year): Date of manufacture shall be labeled as “yy.mm.dd”, “yyyy.mm.dd” or “yyyy/mm/dd”
- Shelf-by-date or shelf life: Food product labels should indicate the manufacturer-determined shelf life. If various kinds of products are packaged together, the shelf life expiration date of the product with the shortest life should be noted on the label.
- Certain products need to include on the label a “best before date”
- Net content or calories: Weight, volume or number of pieces should be indicated. If the number of pieces is shown, the weight or volume must be indicated in parentheses.
- Names and quantities of raw materials: Effective September 7, 2006, names of all ingredients have to be included on the Korean language label. Artificially added purified water and names of ingredients used to make a composite raw ingredient amounting to less than five percent of the product in weight will be excluded from the requirement. In case of a composite raw ingredient amounting to less than five percent of the product by weight, only the name of the composite raw ingredient must be listed on the Korean language label. In the case of a composite raw ingredient amounting to over five percent of the product by weight, the names of all ingredients contained in the composite raw ingredient must be listed on the Korean language label. Ingredients must be listed in order of predominance by weight, that is, the ingredient that weighs the most is listed first, and the ingredient that weighs the least is listed last. Food additives must also be listed by full name, abbreviated name, or purpose on the label (e.g. Ferric Citrate, FECitrate, or nutrient fortified substance). Food items known to be food allergens (include eggs, milk, buckwheat, peanuts, soybeans, wheat, mackerel, crab, pork, peaches and tomatoes) must be indicated on the label even if they are added as part of a mix at minimal levels. Food items considered as food allergens.
- Nutritional labeling for some designated products like bread, noodles, candy, chocolate, confectionary food, frozen desserts, hamburger, sandwiches…
- Other items designated by the detailed labeling standards for food. This includes cautions and standards for use or preservation (e.g., drained weight for canned products, radiation-processed products, etc.).
- If you also need to add the origin of your product, make sure you mention Belgium. Not EU or EC.

Some categories of food are exempt from Korean-language labeling requirement:

- Agricultural products such as grains; fishery items, such as whole frozen fish; and fruits, that are not contained in a container or package, etc.
- Foods, etc., to be used for manufacturing for a company’s own use.

- Products imported for the purpose of acquisition of foreign currency, under the provisions of Article 34 of the Ministerial Ordinance to the Foreign Trade Act.

Packaging & Container Requirements

"Standards & Specifications for Equipment and Container/Packaging" established by KFDA and printed in Chapter 6 of the Korean Food Code, includes general standards for equipment, container and packaging for food products and specifications for individual packaging materials. The Ministry of Environment announced regulations in 1999 covering PVC shrink wrap packaging, which went into effect January 1, 2001.

Containers or packages that can be recycled must carry a "separation and discharge" sign. In accordance with the Act on the Promotion of Saving and Recycling of Resources, containers or packages that are made using paper, metal, glass, and plastic materials must be marked with a "separation and discharge" sign. The sign is to facilitate the recycling of wastes. The sign should indicate the type of material the package is composed of. For example, PET, HDPE, LDPE, PP, PS, PVC, or Other should be indicated for containers or packaging made of plastic materials. For metals, either iron or aluminum should be indicated. Either a printed label or a sticker label is acceptable. This requirement has been in place since January 1, 2003. Since 2006 the wood packaging material needs to be treated and conform to the ISPM 15 standard.

GMO Regulations

Scope of GMO labeling: foods contained soybean, corn, cottonseed, rapeseed, sugar beet or it's sprouts as main ingredients (up to the 5th largest ingredients in contents)

Scope of GMO labelling

Scope of GM Labelling	Scope of GM Labelling	Exempt from GM Labelling
Agricultural products	LMOs which MFDS approves to import	IP Handling or Export Certificate has been submitted to prove Unintentional adulteration : not more than 3%
Processed Foods	Processed foods which contained GMO as ingredients	Isolated agricultural produce from GM which attached with IP Handling or Export Certificate Unintentional adulteration : not more than 3% Including GM ingredients, but - contents of GM ingredient is less than the 5th largest ingredients - analysis certificate proves that any GM ingredients do not exist in final good - soysauce, oil, sugar, alcoholic beverages, etc

Ministry of Agriculture, Food and Rural Affairs (MAFRA)

The Ministry of Agriculture, Food and Rural Affairs (MAFRA) has established three core agricultural administrative pillars: income increase for farmers, welfare enhancement for rural areas, and

agricultural competitiveness improvement. Through these core pillars, the new government is committed to contributing to the nation's vision of "a new era of hope".

Under the MAFRA, the QIA (Animal and Plant Quarantine Agency – www.qia.go.kr) is responsible for amongst others the implementation of disease control and establish preventive border quarantine management.

The QIA (Animal, Plant and Fisheries Quarantine Inspection Agency) was created on June 15, 2011 through the merger of 3 major National Services responsible for quarantine, inspection, sanitation and management of livestock (National Veterinary Research & Quarantine Service), plant (National Plant Quarantine Service), and fishery (National Fisheries Products Quality Inspection Service). Through this merger, the QIA strive to better achieve its mission to secure the safety of livestock, plant and fishery products, and improve the system for the prevention and control of livestock diseases. In March 2013 the agency was restructured again. QIA is now focusing on animal and plant quarantine and thus renamed to Animal and Plant Quarantine Agency.

The QIA works to provide the people of Korea with safe food sources by conducting its combined role of quarantine, inspection, sanitation and management of exported and imported animals, plants and related products. Research and development is conducted to continuously improve the ability of the QIA to carry out its role, and provide scientific basis for its activities. The QIA also work to safeguard public health through prevention, control and sanitary management.

To import animal products, rice, plants and vegetal products your Korean importer needs to apply for an import permit. Quarantine permits are necessary for the import of live animals, products of animal origin, plants and vegetal products.

Quarantine and Inspection Procedures

QIA has different inspection and quarantine mechanisms depending on the type of product. The complete information can be found on the following links:

- Animal and livestock:
  http://www.qia.go.kr/english/html/Animal_livestock/02AnimalLivestock_003-5.jsp
  Sanitary and phytosanitary certificates issued by the exporting country's inspection authority are required for live animals, meat products, such as beef, pork, poultry, etc.
  Korea requires pre-approval of meat facilities, including slaughter plants, processors, and warehouses prior to exporting the product to the Korean market. Pre-approval is facilitated by registration with the Food Safety Agency (FAVV) in Belgium which is responsible for sanitary and phytosanitary certificates.
  For meat products, Belgium can export only pork to Korea. Further, it is advised that Belgian companies wanting to export pork products to Korea first contact the Food Agency for registration. Belgian and Korean authorities have been in negotiations regarding Belgian poultry products exports to Korea, but the discussion had been put on hold due to a lack of interest from the Belgian side.
- Plants: http://www.qia.go.kr/english/html/Plant/Plant_003.jsp
  Sanitary and phytosanitary certificates issued by the exporting country's inspection authority are required for plants etc. For plant products, the Plant Protection Act of Korea prohibited import of some fresh vegetables and most of fresh fruit. Thus, it is advised that Belgian companies wanting to export plant products first contact Flanders Investment & Trade Seoul to check the possibility of export.

The “issuance date” of both health and phytosanitary certificates shall be prior to the “onboard date” listed on the Bill of Loading. The “inspection date” on a certificate must be prior to the departure date. To prevent unnecessary delay at the port of entry, the certificate “issuance date” should be prior to the departure date of shipments

Plant and meat quarantine inspections are very strict in Korea. No plant and meat products will clear Korean Customs without the necessary certificates and required information.

Imports of agricultural products generally must receive clearance from several organizations and are thus more likely to encounter port delays than other imported products. In addition, other organizations may be involved in regulating imports through the administration of licenses or, in some cases, quotas for agricultural products.

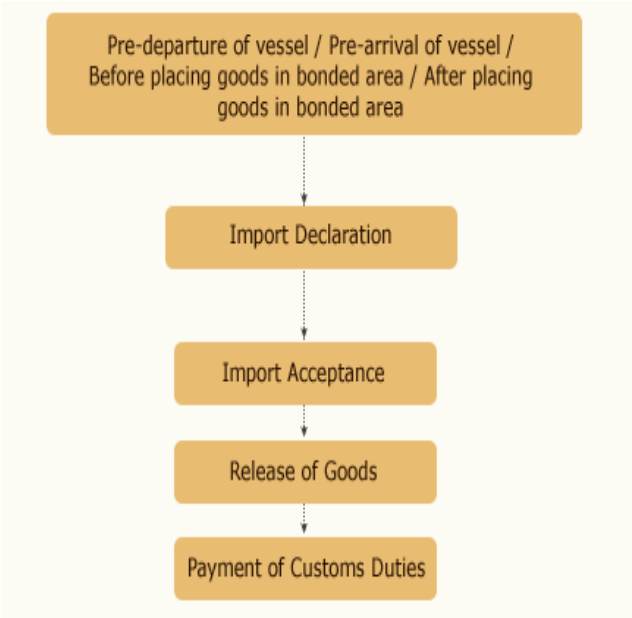
Organic Regulations

Since February 2015, the Korean government and the European Union agreed upon an equivalence of standards on organic certification. Both parties accepts eachothers organic certification.

Korean Customs Service

Korea Customs Services (KCS) are guardians of South-Korean customs borders by swiftly clearing all goods and entering and leaving the nation while strictly enforcing the law. KCS is responsible for ensuring that all necessary documentation is in place before your products are entering the South-Korean customs border.

The import customs refers to the series of process where the person who wants to import declares the goods to the customs collector, the customer collector checks whether the import declaration has been done in a legal and proper manner and accepts it and issues the import declaration certificate to the declarant for the imported goods to be released.



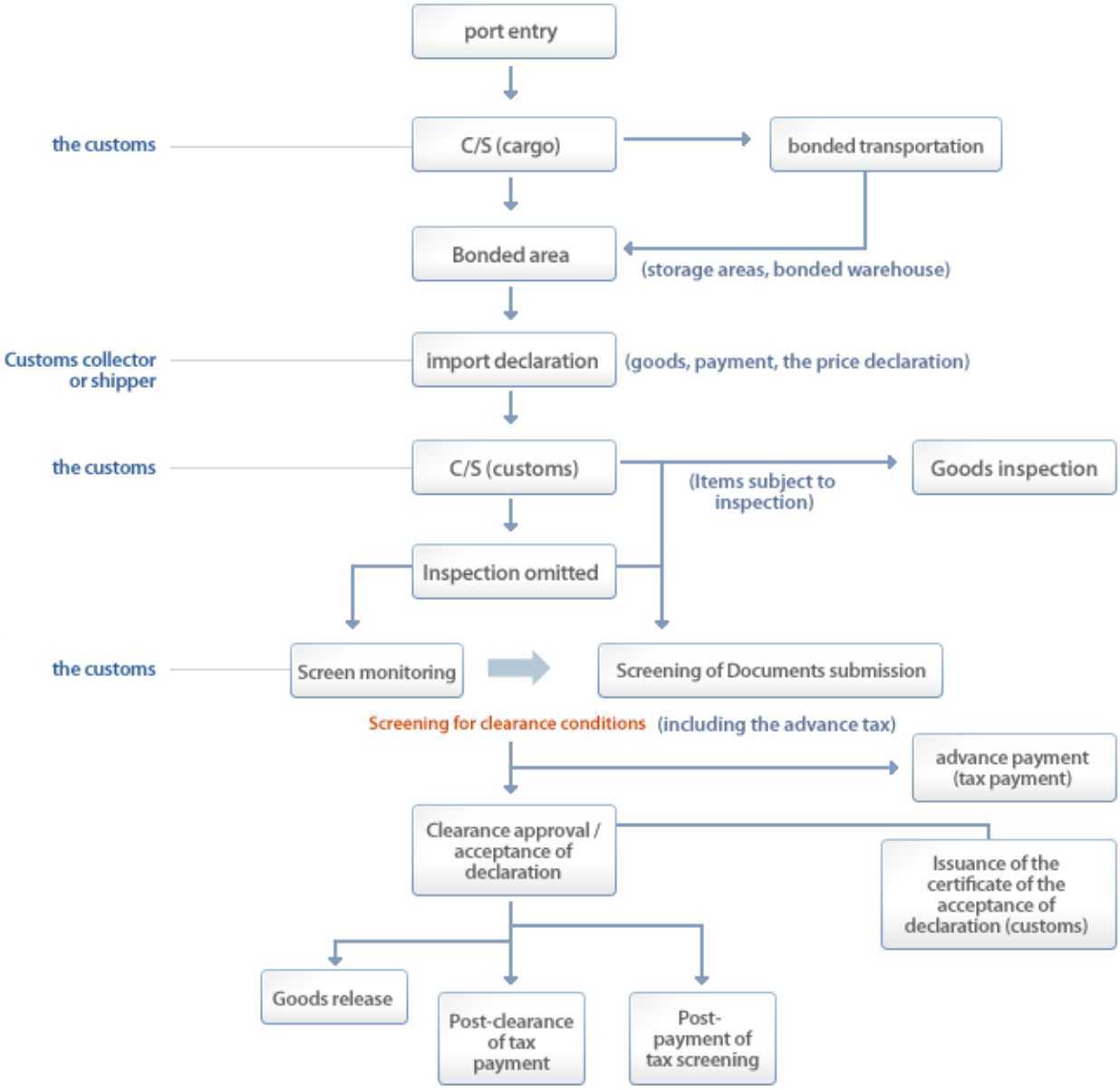
On the website of KCS, www.customs.go.kr, you will find a guide to the customs administration. Via this link you can find all the info on import procedures and the import customs system. The importer has to provide all the necessary documents. The “Customs import declaration” is the official document for the clearance of your products by the customs. In Korean it is called “Suip-Singsoseo”.

It needs to be filled in by the Korean importer in Korean. Make sure you have all the documents and permits available.

Basic documents are invoice, bill of lading, packing list and the certificate of origin. Other documents to confirm the conditions for the import may be expected.

When your import declaration is checked and accepted, your goods will be released. At that moment the customs duties are expected to be paid.

Tariffs vary considerably from product to product. Check your tariffs, as with the EU-Korea Free Trade Agreement they might have been reduced to 0% or will gradually decrease in the coming years. To enjoy the reduced tariffs, exporters need an "Approved Exporter Status". This status can be obtained at their Belgian regional customs offices. Exporters can contact the FIT Seoul for specific information on tariff rates. We also refer you to a FIT study named: "EU-Korea FTA practical guide". This can be downloaded from the FIT website, www.flandersinvestmentandtrade.be.



Korea Intellectual Property Office (KIPO)

The Korea Intellectual Property Office (KIPO – www.kipo.go.kr) is responsible for protection of trademarks and for review of petitions related to trademark registration.

The trademark registration system in Korea is based on a “first-to-file” principle. A person who registers a trademark first has a preferential right to that trademark and Korean law protects the person who has the right over the trademark.

FIT Seoul strongly advises Belgian companies to check if their trademark has already been registered or to register you trademarks prior to beginning your business operation in Korea.

In the past, unfortunately some European companies have been faced with trademark squatting problems. It means that a Korean individual has already registered your trademark without your knowledge. It can be exceedingly difficult and expensive to regain control of your trademark from anyone who registered it before you.

5. The Korean food and retail industry

The Korean dietary demands have changed during the years. The costumers expect from the food industry high levels of quality, variety, convenience, new tastes and safety. These changes have had their impact on the Korean food and retail industry.

The Korean food market was in 2011 USD 47,9 billion and was expected to grow at 5,6% to USD 53,5 billion in 2013.

In 2013, the expenditures of the Korean households amounted to KRW 2.507.009.

Korean households spend an important part of the household expenditure to food, alcohol and going-out (restaurant, bar and hotels). The food expenditure amounts to 14% of the total household expenditure (food and non-food). About 12,7% is spent on going out.

Average monthly household income/expenditure (in cities, over 2 members)

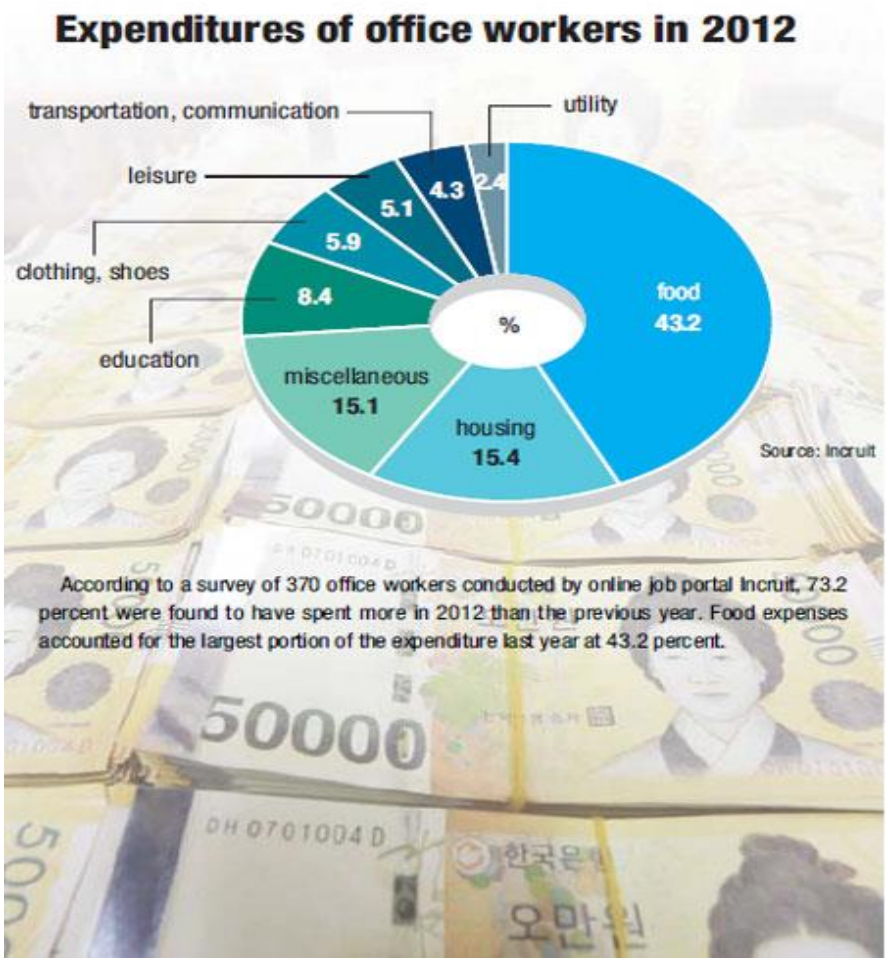
	2011	2012	2013
Income (Krw)	3.893.666	4.126.769	4.203.326
Consumption expenditure (Krw)	2.404.259	2.485.245	2.507.009

Average monthly household expenditure - Food (in cities, over 2 members)

	2011	2012	2013
Total expenditure (Krw)	2.404.259	2.485.245	2.507.009
Food & non-alcoholic beverages expenditure	341.077	351.257	350.528
Grain/cereals	20.727	21.289	22,683
Processed grain/cereal products	16.941	17.032	16,871
Bread 7 rice cakes	21.402	22.140	22,397
Meat	49.077	49.217	49,521
Processed meat products	11.005	11.758	11,412
Fresh fish & fishery products	22.297	20.977	20,161
Salted & dry fishery products	7.566	6.994	6,372
Other processed fishery products	7.012	7.129	7,139
Dairy & egg products	30.299	31.702	31,560
Fat & oil products	2.803	2.810	2,760
Fruit & processed fruit products	40.684	44.182	45,549
Vegetables & processed vegetable products	38.276	40.281	39,002
Seaweed & processed seaweed products	4.353	4.349	4,259
Sweets & confectionery products	24.476	25.870	27,276
Seasonings	14.738	14.727	12,352
Other food products	10.134	10.326	11,088
Coffee and tea	8.060	8.584	8,328
Juice & other drinks	11.228	11.890	11,797
Restaurant meals	300.167	312.614	319.171

Source: Statistics Korea (KOSIS)

These statistics above are given by the Korean Statistics Department. According to a survey, employees reported spending 43.2% of their expenditures towards food. This is also a good indicator how expensive consumers find food or how often they spend money on food and beverages.



Source: The Korea times

The Retail Food Sector

The changes in behavior and choices of the Korean consumers also had their impact on the retail industry. The retail sector is well-developed with high standards and focus on consumer service. It has an efficient distribution network with good logistics. The retail landscape has changed radically since the opening of the first hypermarket about 20 years ago and the liberalization of the large-scale retail business to foreign ownership in 1996.

Although the retail sector has been steadily increasing over the years, the growth of overall retail market sales has slowed down due to the sluggish local economy and stagnant performance of traditional retailers. In 2012, the wholesale and retail trade grew with only 0,8%. In 2013, a moderate decrease of -0,2% was noted.

Different actors are present on the retail food market: hypermarkets, department stores, supermarkets, membership-based stores, convenience stores, online retail and TV home shopping channels, mom-and-pop-stores and traditional markets and specialty shops.
Major retailers encompass the whole spectrum of retail business. Entry into one part of the integrated retailer can lead to access to the whole system.

The food segment is an important element of the retail revenues of these retailers. Supermarkets, hypermarkets and convenience stores get between 75% - 50% from their sales from food.

Two main evolutions have been noticed with the large scale retailers. On the one hand, they want to be present in all different retail channels. Not only are they developing this horizontal integration in Korea but also they are expanding outside of Korea. In and outside of South-Korea there can be a fierce competition between retailers. On the other hand, the development of an own private label is an important evolution. More chains and brands are expanding the amount of products under private labeling.

Food and Non-Food Retail Market Sales in Korea – in million KRW

Retail Type	2009	2010	2011
	Sales	Sales	Sales
Department Stores	21.783.591	24.316.754	27.088.391
Hypermarkets	31.212.768	33.748.465	36.797.070
Supermarkets	22.423.152	23.812.482	25.358.724
Convenience Stores	6.244.593	7.342.749	8.653.876
Specialized Stores	142.987.427	155.467.087	166.903.650
Retail Sales not in Stores	27.046.361	31.096.124	34.277.685
Total	251.697.903	275.783.669	299.079.407

Sources: Statistics Korea (KOSTAT) – August 2012

Hypermarkets

Hypermarkets are large supermarkets that sell food and non-food. More than 50% from the sales come from the food segment. Hypermarkets are very modern with focus on consumer service. They are open from 10.00 – 24.00 and are open 2 Sundays a month.

These "one-stop-shops" offer value-added, convenience, new tastes (new food products or more choice depending on consumer diet changes for example more meat, wheat, confectionary, imported food, bakery…), good price and healthy products.

Hypermarkets have own parking lots, different floors with a wide range of products including own bakeries, pizzeria, organic food corner… Often you find in the same building other services like pharmacy, photo shop, food court, beauticians, ATM's…. The comfort of the customer is important. Hypermarkets offer a wide range of imported food.

Total sales of hypermarkets were estimated at 37.4 trillion won in 2012, up 1.6 percent from the previous year. In 2011 this amounted to 36.8 trillion won. The three big players in this sector (E-Mart, Home Plus and Lotte Mart) accounted for more than 80 percent of the sectors total sales in 2012.

Sales & Number of Stores of Hypermarkets/Discount Stores by Year

	2005	2006	2007	2008	2009	2010	2011	2012 (E)	2013 (F)
Sales (Trillion Won)	23,7	25,7	28,4	30,1	31,2	33,7	36,8	37,4	38,6
Growth Rate(%)	9,5	8,4	10,3	6,1	3,6	8,1	9,0	1,6	2,9
No. of Stores	306	337	363	394	409	437	444	470	489~495

Source: The Yearbook of Retail Industry 2013

Sales by Hypermarkets/Discount Stores in 2012

Retail Name	Sales (Trillion Won)	Number of Stores	
		Domestic	Overseas
E-Mart	14	146	16
Home Plus	11,3	133	0
Lotte Mart	7,1	103	139
E-Land Retail *	2,7	32	
Costco Sales	2,29	9	7
NH Hanaro	1,33	6	
Mega Mart	0,735	8	2

Source: The Yearbook of Retail Industry 2013
**E-Land Retail (New Core Outlet, 2001 Outlet, NC, Dong-A)*

Department stores

Department stores breathe luxury. Everything is high-end. Less than 15% of the sales are from the food segment. Department stores put a strong focus on exclusive, high quality, specialty and imported food. On the food floor you will have luxury displays and specialty corners like functional nutritional supplements, organic food, premium fruits,… but also special counters with imported food like Italian delicatessens, French cheese, salami's,….

The biggest companies are Shinsegae department store, Lotte department store and Hyundai department store.

Sales & Number of Stores of Department Stores by Year *(Sales: Trillion Krw)*

	2006	2007	2008	2009	2010	2011	2012(E)
Sales	18,1	18,7	19,8	21,5	24	26,5	27
No, of Stores	74	80	82	85	87	89	91

Sales Growth Rate of Department Stores by Month in 2012

01	02	03	04	05	06	07	08	09	10
-4,1	2,9	1,6	-3,4	1	-2	-1,3	-6,9	-0,8	-0,4

Supermarkets

Supermarkets are mostly centered on food. Large majority of the sales are generated by food sales. The supermarkets target dense neighborhoods where hypermarkets can't be integrated. Large numbers of independent retailers operate grocery supermarkets. But the large-scale retailers are more and more venturing in this retail segment with franchises. The supermarket chains are Lotte super, GS supermarket, Top Mart, Homeplus Express, Goodmorning Mart and Kims Mart.

Because of this competition, the small-scale retailers are becoming more customer-driven by also offering home delivery, membership cards, discounts…. They also adapt the product assortment to the neighborhood that they serve. For example, grocery supermarkets in areas with more foreigners will have more imported foods in the rayon's.

Sales & Number of Stores of Supermarkets by Year *(Sales: Trillion won)*

	2006	2007	2008	2009	2010	2011(E)
No. of Stores	312	370	485	677	928	1045
Sales	2,3	2,7	3,5	4,2	5,0	6,1

Membership-based Wholesale Chains

The main player is the US based chain Costco. They have 7 stores in South-Korea, but have encountered critique the last year for this costumer unfriendly approach. For example they accept only one credit card (Samsung). As of 2012, there is a new direct competitor in this retail segment. Lotte has opened its first VIC store. This is the first time a domestic retailer opens a wholesale chain. It will be open for customers and other retailers. VIC has stated that a third of the products will be imported. A price war might be expected as VIC announced it wants to be 10 – 30% cheaper than Costco.

Convenience Stores

Convenience stores have often limited product assortments but are very wide in spread.
This sector is expected to grow substantially over the next few years as the number of outlets increases. The major players in this market are Family Mart, GS25 and Seven Eleven. Also in this segment the development of own private labels is important.

Sales & Number of Stores of Convenience Stores by Year *(Sales: Trillion won)*

	2009	2010	2011	2012 (E)	2013(F)
Sales	7,3	8,4	9,9	11,3	12,3

Number of Convenience Stores

Store Name	2011	2012
CU (ex-Family Mart)	6.544	7.813
GS25	6.202	7.043
Seven Eleven	4.528	5.890
Mini Stop	1.641	1.827
Others	1.589	1.278
Total	20.484	23.851

Online and Home Shopping

Korea has become one of the most advanced markets in the world for the on-line retail industry. Changes in consumer lifestyle, which favor more efficient shopping environments, coupled with developments in information technology have fueled a rapid growth of on-line retail business, including internet shopping malls, internet open markets and TV home shopping over the last ten years. The sales of on-line retailers, including internet shopping, TV home-shopping and catalog shopping, have increased by double digits over the last five years. This online and TV shopping is expected to remain the fastest growing retail channel for the coming years. Even food can be bought on the television. But the percentage of food sold by this retail segment is low.

*Market Size of On-line shopping malls (100 Million **Krw**)*

	2009	2010	2011	2012(E)
Catalogue shopping	7.300	8.000	8.200	8.200
TV Home shopping	46.800	56.700	65.400	80.100
General internet shopping mall	123.300	150.000	184.000	204.300
Open market	97.000	123.400	134.000	150.100
M-Commerce shopping	30	200	2.000	10.000
Total	274.400	338.700	393.600	442.600
Growth rate %	21	23	17	13

Source: The yearbook of Retail Industry 2013

We advise Flemish potential exporters not to forget this medium in their business plan.
This also has its effect on logistics. The logistics and distribution behind these retail channels are well-developed. Everything can be delivered at home. Korea is very much a delivery paradise!

The Eating-Out Sector

The Restaurant Segment

Not only do Korean consumers get acquainted with foreign food in the shops but also in restaurants and hotels. Koreans go daily to restaurants; together with the colleagues at lunch or dinner or with family in the weekend. Eating is important in Koreans social life. 12.7% of the monthly household expenditure is spent on going-out. Even though prices of restaurants visits have gone up considerably, it is expected that the monthly expenditure on going out will rise because there are more double earn households, more single member households, search for new tastes, new foods, high-quality…

Until the mid-1990s large scale corporations were prohibited to enter the food service businesses. Now large-scale restaurants mostly under franchises are putting the smaller restaurants under pressure. Voices are emerging and calling upon the government to protect family-owned small restaurants by restricting the expansion of the big players.

The Korean food service sector garnered 77 trillion won sales in 2012.The total number of restaurants, food service establishments, bars and pubs was 624,831 providing employment for 1.75 million employees in 20012. However, about 90 percent of restaurants were small family-owned businesses that hired less than five employees. The growth of this sector is mostly generated by the large-scale operators. Although on a steady decline in number due to the rapid growth of international-theme restaurants, traditional Korean food restaurants still take the dominant part of the restaurant sector. However, menus and products served in these Korean restaurants are becoming fused with more diverse ideas and styles of international cuisines, offering greater opportunities to imported products. In a similar vein, many of the international dishes served at the restaurants in Korea are somewhat “Koreanized” in terms of the taste, ingredients, and style. In general, local consumers want more hot spices, vegetables and seafood ingredients added to international recipes while preferring less salt, oil and fat

Sales by Restaurants Type in 2012

Type	Nr of restaurants	Nr of employees	Sales (mio KRW)
Korean style restaurants	295.348	813.743	35.178.359
Chinese style restaurants	21.680	75.417	3.010.600
Japanese style restaurants	7.211	32.952	2.169.666
Western style restaurants	9.175	63.067	3.446.973
Other Western style	1.503	7.518	358.170
Cafeteria	6.955	42.342	4.700.254
Catering	496	7.518	358.170
Bakery store	14.799	60.352	3.969.754
Pizza, Hamburger & Sandwich	13.711	73.708	3.423.588
Chicken	31.139	67.868	2.658.616
Noodle & Gimbob (rice rolls)	45.070	96.113	3.007.144
Other restaurants	4.251	11.741	1.069.437
Bars and Pubs	173.493	405.598	14.165.718
Total	624.831	1.752.807	77.285.199

Source: Statistics Korea (KOSIS)

Korean consumers are well exposed to US culture and food. This translates in the choices of restaurants. US style family restaurants are growing fast. The pizza chains are popular especially also because they offer home delivery service. For example, the Pizza Hut Korea chain makes 70 percent of the sales from home delivery service. Smaller Korean restaurants have jumped on this trend and deliver food to the neighborhood.

Profile of Major Family Restaurant Chains *(Sales: Billion KRW)*

Brand	Company	Sales			Growth rate (%)		No. of outlets		
		10	11	12	10/11	11/12	10	11	12
Outback Steak	**Ojijung**	283	330	356,4	16,6	8,0	103	103	106
VIPS	**CJ Foodville**	292	320	n/a	9,6	n/a	72	76	84
TGIF	**Lotte**	63,5	70,4	78,6	10,8	11,6	34	35	41
Ashley	**E Land**	214	240	300	12,1	25	93	105	121
7 Springs	**Samyang**	27	33	44	22,2	33,3	12	16	19
Bennigan's	**Barunson**	n/a	n/a	n/a	n/a	n/a	19	24	26

Source: The Yearbook of Retail Industry 2013

Profile of Major Pizza Restaurant Chains *(Sales: Billion KRW)*

Brand	Company	Sales			Growth rate(%)		No. of outlets		
		10	11	12	10/11	11/12	10	11	12
Pizza Hut	**Pizza Hut Korea**	n/a	n/a	n/a	n/a	n/a	310	310	315
Mister Pizza	**Mister Pizza Korea**	n/a	n/a	n/a	n/a	n/a	385	409	429
Domino's Pizza	**DPK Int**	n/a	n/a	n/a	n/a	n/a	346	358	372
Ethang	**Pizza Ethang**	90	100	n/a	11.1	n/a	331	330	340

Source: The Yearbook of Retail Industry 2013

Profile of Major Chicken Restaurants Chains *(Sales: Billion KRW)*

Brand	Sales			Growth rate (%)		No. of outlets		
	2010	2011	2012	10/11	11/12	10	11	12
BBQ	450	156	n/a	-6.6	n/a	1.700	1.568	1.857
Gyochon Chicken	110	114	141.3	3.6	23.9	993	962	944
Nene Chicken	29	30.2	n/a	4.1	n/a	953	984	1.050
Gubne Chicken	84	83.5	n/a	-0.5	n/a	836	856	863
Mixicana	35	36.5	42.9	4.3	17.5	740	770	806

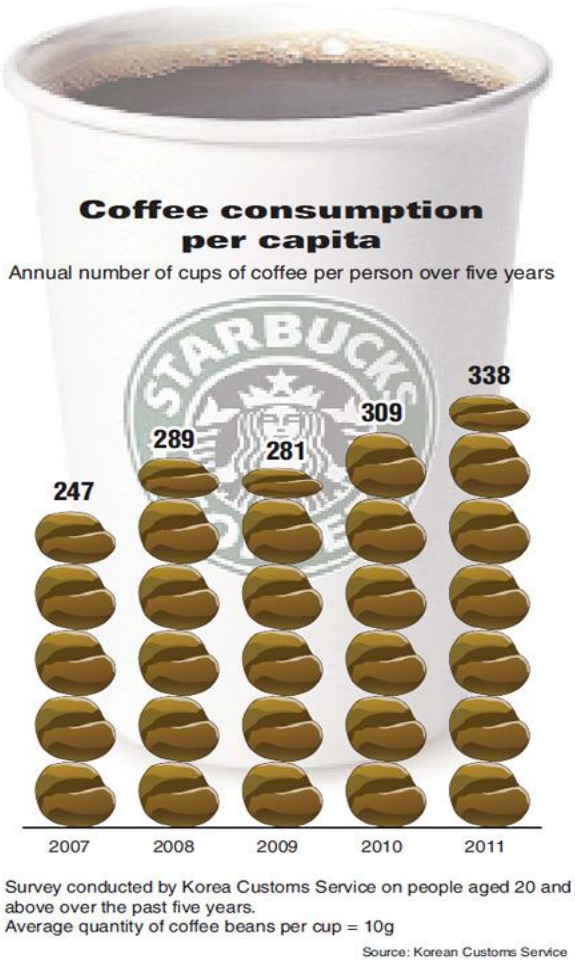
Source: The yearbook of Retail Industry 2013

Especially coffee shops and bakeries are popular. These are nice examples of the consequence of change of diets of Koreans. The demand for more wheat products and coffee is increasing. There are more Starbuck's in Korea than in New York.

Profile of Major Coffee Shop Chains *(Sales: Billion KRW)*

Company	Brand	Sales			No. of outlets		
		10	11	12	10	11	12
Starbucks Korea	**Starbucks**	240	n/a	n/a	322	455	480
Coffee Bean Korea	**Coffee Bean**	n/a	n/a	n/a	208	244	255
Lotteria	**Angel in us**	n/a	n/a	n/a	370	550	788
Hollys F&B	**Hollys**	108	n/a	n/a	248	366	396
Café Bene	**Café Bene**	97	n/a	n/a	450	730	830
Ediya	**Ediya**	74	n/a	n/a	420	580	800

Source: The Yearbook of Retail Industry 2013



Source: The Korea Times

Franchising chains of bakeries control the bakery sector. But there are also numerous independent bakers.

Table: annual sales and number of outlets for bakery chains *(Sales: Billion KRW)*

Company	Annual sales			Number of outlets
	2009	2010	2011	2013
Paris Baguette	1.001,5	1.312,6	1.573,3	3.256
Tous les jours	648,9	738,1	790,2	1.280
Crown Bakery	71,7	58,4	42,7	n/a*
Shilla Bakery	39,4	38,1	38,5	70

*Source: The Yearbook of Retail Industry 2013 (*Stopped bakery business as of Sept. 30, 2013.*

There are also a lot of specialty restaurants that sell imported food in the restaurant. You can buy cheese, fine foods, organic food, specialty beers, processed meat, delicatessens… in these specialty and gourmet restaurants. These specialty restaurants usually offer European cuisine.
Imported premium food products can also be found in luxury hotels. All the luxury hotels have restaurants with Western food and gourmet shops with high-end imported food items.

Institutional Food Service Segment

Large companies, schools, public offices provide lunch on the premises. This is gaining popularity as more office workers and students are interested in affordable and qualitative meals. These institutions used to cater the meals themselves but have outsourced this food service for cost, quality and efficiency reasons. This results in a growing catering industry.

The expansion of the industrial institutional feeding division is primarily led by a handful of leading players, all of them subsidiaries or affiliated businesses of local conglomerates. The leading players are currently closing down small scale outlets to focus on big volume clients, which are leaving some room for smaller players to grow. These large buyers offer mainly Korean dishes but prepared with domestic and foreign food ingredients. They buy foreign food stuff through food importers. The purchasing decisions are mostly led by the price and stable supply argument.

Profile of Major Institutional Food Service Companies (billion KRW)

Name	Annual Sales*		No. of restaurants	Notes
Our Home	2010	1.100	600	Separated from LG group in 2000. Other areas of business include contract feeding restaurants and commercial restaurants. www.ourhome.co.kr
	2012	1.200	800	
Foodmerce	2010	914	400	Affiliated with Pulmoowon group. www.foodmerce.com
	2012	1.300	700	
CJ Freshway	2010	945	400	Affiliated with CJ group. Other areas of business include contract feeding restaurants and commercial restaurants. www.cjfreshway.co.kr
	2012	1.800	430	
Shinsegae Food	2010	619	440	Affiliated with Shinsegae group. Other areas of business include contract feeding restaurants and commercial restaurants. www.shinsegaefood.com
	2012	721	N/A	
Hyundai Green Food	2010	395	450	Affiliated with Hyundai department store group. Other areas of business include contract feeding restaurants and commercial restaurants. www.hyundaigreenfood.com
	2012	1.200	N/A	
Hanhwa Hotel & resort	2010	210	400	Affiliated with Hanhwa group. A comprehensive leisure and food service company that operate Korea's largest condominium chain. www.hanwharesort.co.kr
	2012	500	324	

Source: GAIN Report, Food Service – Hotel Restaurant Institutional Biennale Report 2014
**Note: Annual sales include revenues from non-institutional foodservice business such as product distribution business and regular restaurant franchise business.*

Korean Food Processing Sector

The Korean food market was in 2011 USD 47,9 billion and expects to grow at 5,6% to USD 53,5 billion in 2013. According to the Korea food and drug administration, production in food industry in Korea grew by 8,1% per year between 2005 and 2009. This rate is significantly higher than the growth rate for manufacturing (all industries) and the GDP. If we look at the percentage of the value added in the manufacturing sector, about 6% of the added value comes from the food, beverage and tobacco manufacturing industry.

The market size for the Korean food ingredients industry in 2009 was 19 trillion KRW (14,6 bn$) and is expected to rise up to 24,94 trillion KRW (21,6 bn$) in 2014 by annual growth rate of 5,6%.

Korea has a food processing industry that produces a wide range of processed food products. Many of Korean conglomerate business groups have also an agriculture/food processing business in their portfolio.

The major food companies in Korea are: CJ, Lotte, Nongshim, Samyang, Ottogi, Dongsuh, Korea Yakult, Coca Cola, Amway and Nestle.

The leading local beverage producers are Lotte Chilsung Beverage Co. Ltd., Haitai Beverage, Coca-Cola Korea Company Ltd., Dongah Otsuka Co Ltd. and Woongjin Food Co Ltd.

They are very important importers. The domestic food processing industry relies strongly on imported products for raw materials, intermediate ingredients, additives… because of the need for qualitative products and because of limited domestic resources.

In the food processing industry you can find a limited amount of large companies (parts of Korean conglomerates). There are only 29 manufacturers with 500 employees or more. Most Korean food and beverage manufacturers are small-scale companies.

The food and beverage manufacturers produce in total for about KRW 75.149.913 million. This is a 25% increase since 2010. The industry is also employing more workers. In 2012, they employed 178.839 people. This is an increase of 7% compared with 2010.

Output of Food & Beverage Manufacturers with 10 or more employees: 2012 (Value: million KRW)

Food Processing Sector	Value	Number of workers
Meat	10.819.518	31.662
Fish and marine	4.651.072	25.827
Fruit and vegetable	2.412.444	14.222
Fats and oils	2.342.641	1.763
Dairy and ice cream	7.403.023	9.777
Grain and starch	5.998.857	7.806
Other food stuff	21.220.743	66.396
Feed	10.739.385	8.241
Alcoholic beverages	4.728.131	6.196
Non-alcoholic beverages	4.834.099	6.949
Total	**75.149.913**	**178.839**

Source: Statistics Korea (KOSIS)

6. Korean Food Importers

Although retailers are massive players, they depend on importers and/or wholesalers. Many of the retail companies do not import food directly but rely on independent importers. Some large retailers are increasing direct import for lower cost but only for large volumes like fruit. Mostly they lack experience and turn to importers. Costco Korea procures imported products directly through international networks.

Major retailers encompass the whole spectrum of retail business and food industry. Entry into one part of an integrated retailer can lead to access to the whole system. For examples see appendix 2. The importer can facilitate the entry into the conglomerates.

Flemish exporters should contact distributors and importers, along with retailers to market their products.

The main challenges for Flemish exporters are the language barrier, adaptation to local tastes and import regulations. A well-developed relationship with a Korean importer is an asset when determining how best to market a product. They also have a good access to distribution networks.

Currently, the customs clearance process is cumbersome and costly and generally not cost effective to bringing in mixed container loads. Instead importers bring in full containers of a particular product, store in-country or distribute to retailers or other distributors. Large size retailers own well developed distribution centers in Korea. The independent importer will deliver the imported goods via these logistic channels to the retailers.

Food importers don't need specific licenses or registrations to import except for certain food products like liquor, meat…. If Korean importers want to import certain dairy products they need to apply in a quota system. More information can be provided by FIT Seoul.

Korean food importers might have preferences for certain food types but most of them are open to all kinds of food products. They are always happy to investigate interesting business opportunities.

We advise Flemish food exporters to work with Korean importers to tackle this market.
FIT Seoul has been working on an importers database and we try to keep it updated. Flemish companies interested in this list can contact us. At this moment, we have on our list almost 130 Korean importers.

The EU – Korea free trade agreement offers new opportunities to bilateral trade. Thanks to this agreement import tariffs have been brought down to 0% or import duties will gradually decrease to 0% in the next few years. But to be able to enjoy this preferential trade exporters need to obtain an "Approved Exporter" status. Many Korean importers ask their European suppliers to apply for this status.

7. Opportunities in the Food and Beverage Industry

The Korean food and beverage manufacturing and processing industry are major consumers of imported raw materials, intermediate products, ingredients and additives. Imports are necessary to support the processing industry because local production cannot meet the demand. Korea imports 60 - 70% of its food necessities.

Flemish suppliers have opportunities to export food and beverage items for use in food processing in Korea.

In this chapter we will highlight some of the many opportunities that look interesting especially for Flemish companies.

Food Items for the Processing Industry

Korea has a domestic food processing industry but it depends heavily on import for food ingredients, food additives, raw materials and intermediate products. As the domestic food industry can't meet the growing demands, there are a lot of opportunities for Flemish suppliers.

Except for rice and certain dairy products, Korea imports almost all types of agricultural products for processing. Corn, soybeans, wheat, sugar, essential oils, flour, frozen concentrated orange juice, turkey meat, duck meat, almonds, walnuts, powdered milk, whey powder are good examples of the raw materials or ingredients imported into Korea for use in food processing.

We see a lot of specific possibilities for Flemish exporters of **pork meat**, **bakery supplies** and **food additives**.

Alcoholic Beverages

Alcohol plays an important role in the social life of South-Koreans. It is consumed at business events or at social gatherings with friends and family.

In 2011, South-Korea consumed 9.4 trillion KRW. 21% of the alcohol market is from foreign origin. The alcohol drink value sales rose with 5% in 2012. It is expected to rise with 21.2% in 2016. In 2013, Korean consumed 12,3 liter per person. Almost 1.8 million kiloliters beer has been distributed in Korea in 2011.

Soju (traditional rice liquor) and beer are the most popular alcoholic beverages.

South Korea is seeing increasing variety in its beer market. Supported by growing end user awareness of the different beer assortment, aggressive product innovation efforts from domestic and foreign brewers and accelerating premiumization, local consumers are demanding greater diversity in beer products. Seemingly bearing out a burgeoning consumer appetite for different beer varieties to locally produced beer, statistics show imports of beer to South Korea surged by a massive 64% in value terms between 2009 and 2011. Main importers of beer are Japan, Netherlands and the US. The amount of imported beer is increasing. On the one hand because the Korean consumer is asking for new tastes but on the other hand because the import tariffs will decrease in the coming years to end up at 0% in 2018. Premium hard liquors are mostly imported.

To export liquor, you need to go through an importer with a liquor license. To import food and alcoholic beverages the importer needs a specific licence for dealing in that certain segment Alcohol is sold in hypermarkets, department stores, small stores and specialised liquor shops.

Confectionery

The South Korean confectionery market is one of the largest confectionery markets in the Asia-Pacific region. Confectionery has been taking an increasing part in the Korean diet. Koreans eat and import more sugar, cookies, chocolates, candies… The import of sugar and sugar confectionery amounted to 1.29 billion USD. South-Korea imported for 8,181,000 USD from Belgium in 2011. The percentage of sugar and sugar confectionery coming from Belgium is increasing. The chocolate category led the confectionery market in South Korea.

Importers are looking for premium high-end items but also looking for confectionery for the mass consumption segment. The development of private labels also offers new opportunities.

Belgium is known for his chocolates. There is a good image of Belgian products. They are considered tasty, usually have an appealing design and from good quality.

Good health and good looks are important for the Koreans. Sugarfree or fatfree confectioneries are also in demand.

The domestic confectioneries offer tough competition to exporters. The Korean confectionery company, Lotte confectionery, is also active on the European market. They bought the Belgian company, Guylian, a few years ago.

Keep an eye on holiday peak sales. There are two important holidays in Korea. The Lunar New Year Holidays take place in January or February and Korean Thanksgiving takes place in September of October. Sales increase significantly during these holiday periods. Chocolate sales boom up from December (Christmas) to Valentine's Day (14 February).

Healthy Food

The "well-being" consumption trend offers a wide range of opportunities for foreign suppliers. Food items with labels of "organic", "natural", "bio"… are popular.

The local organic products are rice, vegetables and fruit. All the rest is imported. Mostly processed food is imported. Local market can't keep up with demand so also rice, vegetables and fruits are being imported.

The best sold imported items are: dried fruits, sugar, oil, breakfast cereals, baby food, beverages, confectionery, rice, fruit and vegetables. This segment of the food industry has been growing with double digits the last years. It is forecasted that the organic food subsector will be worth 6 billion USD by 2020.

Organic food can be bought in department stores, National Agriculture Cooperatives federation, organic specialty stores, hypermarkets…

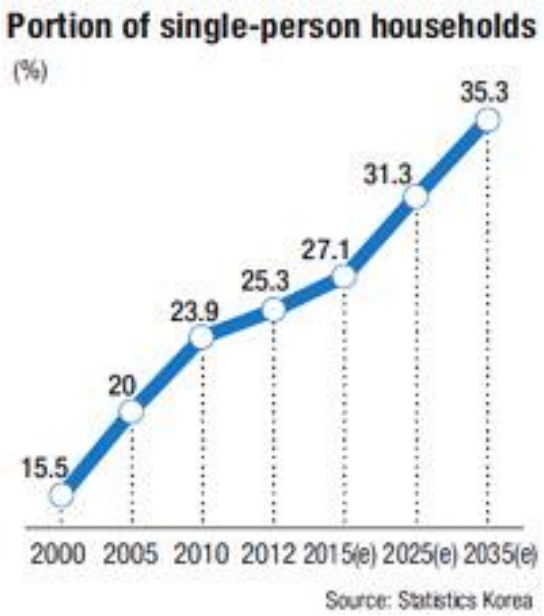
There are specialized organic food importers in Korea who are continuously looking for new articles to expand their assortments.

Functional foods are also very popular in Korea. Especially food products or drinks that can offer a solution for obesity, ageing, immunity deficiency and skin problems are bought. For example red ginseng, aloe, omega 3, vitamins, probiotics… All products must be approved by MFDS. You need to take this administrative burdon into consideration when you are looking at the Korean market. The USA is the most important exporter of functional foods.

As the Korean population is ageing and the hard working style is taking its toll, more people are looking for healthy food in their diet. Examples: beers with lower alcohol percentages are consumed, low carb or "sugarfree" products are bought…

Convenience Food

Koreans have a very busy lifestyle and the amount of single households is increasing. For that reason, you can find ever more readymade meals or single package meals. Also restaurants are focusing on offering single consumers. Special one person meals are marketed.



Source: KoreaTimes

The classic Korean eating pattern exists out of 3 warm meals a day (rice or noodle, meat, vegetables and *kimchi* – fermented Korean side dish). Koreans are busy and don't always have time to cook 3 warm meals a day. And also because of their contact with international foods, many Koreans are stepping away from this diet. They go out to eat or have convenient readymade food.

This new phenomenon creates opportunities for Flemish companies active in the convenient food business.

8. Key Contacts

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Appendix 1: List of Korean Food Shows

Name of the fair	Website	Timing
Franchise Seoul	www.franchiseseoul.co.kr (Korean)	April
Seoul International Wine & Spirits Expo	www.swsexpo.com	April
Seoul Food and Hotel	www.seoulfood.or.kr	May
Tea World Festival	www.teanews.com	June
Busan International Food Expo	www.bofas.com	June
FI Korea	www.fikorea.org	July
Organic Natural	www.organicshow.co.kr (Korean)	August
Korea Food Expo	www.koreafoodexpo.com (Korean)	November
Seoul International Café show & Fancy Food Festival	www.cafeshow.co.kr	November
Seoul International Bakery Fair	www.siba-expo.com	Every 2 years

Appendix 2: Integrated Conglomerates in the Food Industry

Example 1: LOTTE Group (http://www.lotte.co.kr/eng/index.jsp)

- Retail
    - Lotte Department Store
    - Lotte Mart
    - Lotte Supermarket
    - Lotte Home Shopping
    - Korea 7 (convenience store)
    - Lotte.com
- Food manufacturing
    - Lotte Confectionary
    - Lotte Chilsung Beverage
    - Lotte Chilsung Liquor
    - Wellga
    - Pasteur milk
    - ….
- Restaurants and hotels
    - Lotteria
    - TGI Friday's
    - Lotte hotels
- Distribution
    - Lotte LHP
- Amusement park
    - Lotte World

Example 2: Shinsegae (www.shinsegae.co.kr)

- Retail
    - Shinsegae Deparment Store
    - Shinsegae Chelsea Premium Outlet
    - E-mart
    - E-mart Everyday
- Restaurant and hotels
    - The Chosun hotel
    - Starbucks Coffee Korea
    - Shinsegae Food
- Food manufacturing
    - Shinsegae Food
    - Shinsegae SVN
- Logistics
    - Shinsegae dream express
- Distribution
    - Shinsegae Food
    - Shinsegae L&B

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