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GAIN Report

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Organic Foods Market Report

Report Categories:

Product Brief

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Report Highlights:

Elevated food safety concerns coupled with evolved taste of the South Korean consumers generate increased demand for imported organic foods. Korea's imports of organic foods amounted to \$140 million in 2017, up 8.2 percent from the previous year. The United States remained the leading supplier of imported organic foods to Korea by accounting for 18.6 percent (or \$26 million) of the imports in 2017. The bilateral equivalency agreement for processed organic products established in 2014 as well as the Free Trade Agreement established in 2012 between the United States and Korea provides solid foundation for long-term success of American organic foods in Korea.

General Information:

I. Market Summary

South Korea (hereinafter referred as Korea) generates increased demand for organic or environment-friendly foods as the general consumers maintain elevated concerns for safety and quality of foods in their diet. In addition, evolved taste of the consumers coupled with increased wealth in the market promotes more wholesome or naturalistic ideas in lifestyle and consumption trends.

According to the latest data released by the Korean government, Korea's imports of organic foods amounted to \$140 million in 2017, up 8.2 percent from the previous year. In terms of volume, the imports totaled 50,104 metric tons, up 9.8 percent. The United States remained the leading supplier of imported organic foods to Korea in terms of value by accounting for 18.6 percent or \$26 million of the imports. In terms of volume, the United States was the third largest supplier by accounting for 10 percent or 5,019 metric tons of the imports, following Peru and Turkey. While the United States continues to lead the imports for processed organic foods, competitors are likely to maintain bigger market shares for unprocessed products, such as fresh fruits and vegetables.

Chart 1: Korea's Imports of Organic Foods (Total vs. USA)



Notes: Value is CIF (cost, insurance, freight) value reported to the Korean government upon market entry.

Source: Imported Food Inspection Annual Report 2014-2018, Korea Ministry of Food & Drug Safety (MFDS, www.mfds.go.kr)

The United States and Korea established bilateral equivalency agreement for processed organic foods in 2014. Together with the United States-Korea Free Trade Agreement (KORUS FTA) established in 2012, the equivalency agreement has laid solid foundation for long-term success for American processed organic foods in Korea for years to come. Under the equivalency agreement, American processed products may enter Korea without obtaining additional Korean organic certification. The European Union (EU) is the only other trading partner for Korea that has established equivalency agreement for processed organic foods. On the other hand, all foreign unprocessed organic foods, including fresh produce and grain, are required to be certified under the Korean organic standards to enter Korea.

Table 1: Advantages and Challenges in Korea

Advantages	Challenges
Korean consumers are concerned about safety and quality of foods in their diet. Many Korean consumers recognize the United States as a trusted origin for safe and high quality foods.	Organic or environment-friendly foods remain a niche segment in the Korean food market. Organic foods account for less than 1 percent of all foods imported into Korea currently.
Evolved taste of Korean consumers coupled with increased wealth in the market promotes more wholesome or naturalistic ideas in lifestyle and consumption trends.	Korean food traders have limited knowledge and experience with American organic supply chain and new product opportunities.
Local Korean agriculture has limited capacity to produce organic or environment-friendly foods due to unfavorable weather and limited farming capacity.	Many American organic food suppliers are not export-ready. Their attention mainly targets domestic market opportunities.
The United States and Korea established equivalency agreement for processed organic foods, which eliminated certification barrier for American processed products to enter Korea.	Unprocessed products such as fresh fruits and grain are required to be certified under the Korean organic standards to enter Korea. The certification is costly and time-consuming.

II. Market Competition and Opportunities

A. Imported Organic Foods

Korea's imports of organic foods achieved about 10 percent annual growth over the last five years to total \$140 million (CIF value) and 50,104 metric tons in 2017. Korean government's new organic certification policy (requiring foreign organic foods to be certified by the Korean standards to enter Korea) implemented in 2014 resulted in a sudden decline of the imports in 2014. However, the imports rebounded quickly in 2015 due to the organic certification equivalency agreement for processed foods established between the United States and Korea on July 1, 2014 (and similar agreement established with the European Union on February 1, 2015). Organic products accounted for 0.4 percent of all food and agricultural products imported into Korea in 2017.

Table 2: Top 10 Suppliers of Imported Organic Foods to Korea (2017)

Rank	Country	Value (\$1,000)	Volume (Metric Ton)	Shipment Number
1	The United States	\$26,003	5,019	1,760
2	Germany	\$21,808	4,295	820
3	Poland	\$18,183	1,073	435
4	Peru	\$11,800	8,845	309
5	Turkey	\$7,108	6,339	213
6	New Zealand	\$6,119	1,019	49
7	Chile	\$5,315	300	78
8	Mexico	\$4,340	300	109
9	China	\$4,144	2,002	135
10	Canada	\$4,049	4,477	40

Notes: Value is CIF (cost, insurance, freight) value reported to the Korean government upon market entry.

Source: Imported Food Inspection Annual Report 2014-2018, Korea Ministry of Food & Drug Safety (MFDS, www.mfds.go.kr)

Although the United States remained the leading supplier of imported organic foods to Korea by accounting for 18.6 percent or \$26 million of the imports as of 2017, American suppliers are likely to face elevated competition in the coming years as Korean consumers diversify their taste. In particular, European suppliers present major

competition for high-value, processed organic foods. On the other hand, increased demand for value price under the on-going slowdown of the Korean economy also brings additional competition from export-oriented, low-price competitors such as Chile and China for commodity, unprocessed products. Seven competitors, including Australia, Canada, and Japan, are currently negotiating bilateral equivalency agreement for processed organic foods with Korea under the goal of removing the trade barrier within the next couple of years.

Nevertheless, the United States is firmly positioned in Korea as one of the most trusted origin for organic foods. While no official data is available, industry sources indicate that American suppliers are likely to enjoy solid export growth to Korea for processed fruits, cheeses, fruit juices, confectionery, whey powder, lactose, soybean, wheat, nuts, and baby foods.

Table 3: Top 15 Imported Organic Foods to Korea (2017)

Rank	Product	Value (\$1,000)	Volume (Metric Ton)
1	Processed fruits and vegetables	\$35,019	5,913
2	Cheeses	\$15,544	2,399
3	Banana, fresh	\$10,226	7,985
4	Wheat (for milling)	\$4,309	6,186
5	Brown sugar	\$4,265	5,475
6	Fruit and vegetable juices	\$4,158	1,075
7	Confectionery	\$3,809	1,896
8	Coffee (dried)	\$2,790	609
9	Whey (powder)	\$2,592	406
10	Lactose	\$2,536	451
11	Soybean (dried)	\$2,417	1,574
12	Wheat flour	\$2,392	2,554
13	Olive oil	\$2,128	No data
14	Tea	\$1,986	921
15	Nuts (processed)	\$1,919	No data

Source: Imported Food Inspection Annual Report 2014-2018, Korea Ministry of Food & Drug Safety (MFDS, www.mfds.go.kr)

B. Domestic Organic Foods

Industry data indicates that over 90 percent of environment-friendly foods (including organic) consumed in Korea is locally produced. Despite limited farming capacity coupled with unfavorable weather condition, Korean agriculture continues to produce a good amount of environment-friendly agricultural crops and livestock meat. Import barriers in place for unprocessed organic foods (certification requirement for imported products) as well as local government's financial support are assumedly the key driver of the domestic organic agriculture.

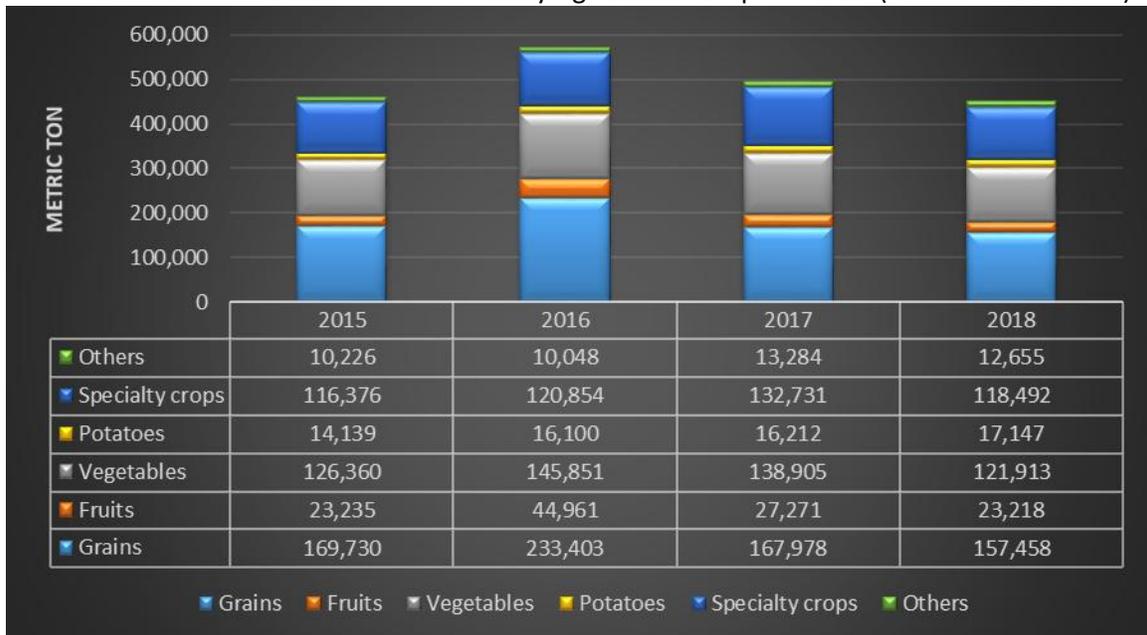
Domestic farms produced 450,883 metric tons of environment-friendly agricultural crops in 2018, down 9.2 percent from the previous year. Organic category accounted for 23.3 percent of the environment-friendly crop production and the remaining 76.7 percent was no-pesticide or no-antibiotic category. Grain (rice, barley), vegetables (lettuce, radish, pepper), specialty crops (mushrooms, perilla, medicinal herbs) were some of the leading crops produced. It is notable that Korea's domestic production of environment-friendly agricultural crops fluctuates significantly between years due to unfavorable weather condition.

Chart 2: Production of Environment-friendly Agricultural Crops in Korea



Source: Korea National Agricultural Product Quality Management Service (NAQS, www.naqs.go.kr)

Chart 3: Production of Environment-friendly Agricultural Crops in Korea (Product Breakdown)



Notes: Specialty crops include mushrooms, sesame, perilla, peanuts, and medicinal herbs
 Source: Korea National Agricultural Product Quality Management Service (NAQS, www.naqs.go.kr)

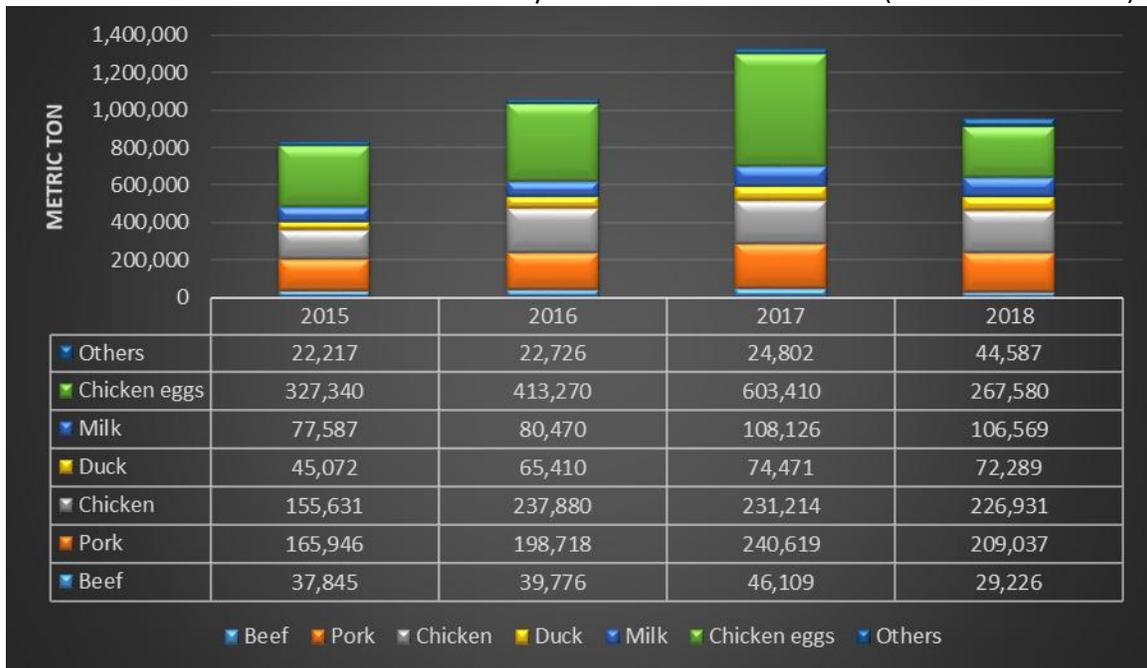
Domestic livestock farms produced 956,219 metric tons of environment-friendly meat in 2018, down 28 percent from the previous year (the sharp decline was mainly due to national scale outbreaks of avian influenza that marred local poultry farms). Most of the production was no-antibiotic category and organic category accounted for only 4.3 percent of the environment-friendly meat produced. Milk, chicken, eggs and pork were leading products. Marketers point out that domestic environment-friendly livestock farms are better protected from potential foreign competitors under the certification barrier. As domestic farms in general target to produce top quality products for maximum returns on investment, production of environment-friendly livestock products is likely to see solid growth in the coming years.

Chart 4: Production of Environment-friendly Livestock Products in Korea



Source: Korea National Agricultural Product Quality Management Service (NAQS, www.naqs.go.kr)

Chart 5: Production of Environment-friendly Livestock Products in Korea (Product Breakdown)



Source: Korea National Agricultural Product Quality Management Service (NAQS, www.naqs.go.kr)

Korean food processing industry is also making extra efforts to offer more organic processed foods. There were 738 organic food processors for 5,799 products registered with the Korean government in 2018. They produced 80,356 metric tons of processed organic foods. Korean organic food processors rely heavily on imported organic ingredients. Leading imported organic products for local processing include cheeses, wheat, sugar, fruit juices, whey powder, lactose, and soybean.

Table 4: Production of Processed Organic Foods in Korea

Year	2015	2016	2017	2018
Registered Processor (Number)	650	730	742	738
Product SKU (Number)	4,083	5,518	5,325	5,799
Production (Metric ton)	No data	No data	No data	80,356

III. Market Entry and Distribution

Generally, imported organic foods are imported by independent import distributors specialized in high-value specialty foods. Grocery retailers or processed food companies in general rely on the independent import distributors for imported organic ingredients mainly because of limited demand. Most of imported organic foods are distributed through premium retail segment of the market, such as department stores, environment-friendly grocery stores and on-line specialty grocery stores. For contact listings of established Korean import distributors for organic foods, please contact the United States Agricultural Trade Office (ATO) Seoul. ATO Seoul also offers various marketing tools and trade facilitation assistances on behalf of American suppliers who seek to enter the Korean market.

Trade shows are one of the most efficient tools to generate contacts with potential Korean buyers. Following is a short list of established shows that attract a good number of Korean organic buyers: [Seoul Food & Hotel](#), [FoodEx Japan](#), [NPEW](#), [SIAL](#), [ANUGA](#).

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

- [Korea Exporter Guide](#), published by ATO Seoul, provides market entry guidance for American suppliers along with key Korean food market trends.
- ATO Seoul website (www.atoseoul.com) provides various information about the Korean market, including product briefs, local media food news clippings, KORUS FTA, and links to other resources and organizations.
- [Korea Country Commercial Guide](#) published by the U.S. Commercial Service is another outstanding source of information about exporting to Korea.

IV. Market Access

A. Organic Certification for Processed Foods

Korea Ministry of Food, Agriculture, and Rural Affairs (MAFRA) implemented 'Environment-Friendly Agriculture/Fishery and Organic Foods Act (Organic Act)' on June 1, 2013. Under the act, all domestic and imported organic foods are required to be certified by MAFRA-accredited certifying agents to be marketed in Korea.

Following this new Korean Organic Act, the United States and Korea established an equivalency agreement for processed organic foods on July 1, 2014. Under the agreement, USDA/National Organic Program (NOP) certified organic processed foods originated from the United States are allowed to be marketed in Korea and display the Korean organic logo without obtaining Korean organic certification, and vice versa for Korean processed organic foods marketed in the United States. The scope of the equivalency arrangement is as follows:

- Beginning July 1, 2014, the arrangement covers products which:
- Are certified to the USDA or Korean organic regulations
- Are “processed products” as defined by the Korean Food Code
- Contain at least 95% organic ingredients
- Have their final processing (as defined in the Korean Food Code) occurs in the U.S. or Korea
- U.S. products: do not contain apples or pears produced with the use of antibiotics

- Korean products: do not contain livestock products produced with the use of antibiotics

American processed organic products exported to Korea must submit 'Import Certificate of Organic Processed Foods' to the Korea National Agricultural Products Quality Management Service (NAQS provides the certificate form). The certificate should include the following statement: "Certified in compliance with the terms of the U.S. - Korea Organic Equivalency Arrangement". In addition, a copy of USDA/NOP organic certificate should be submitted. Further details about the certificate, labeling, and other requirements are available from the following USDA/AMS link: [US-Korea Organic Equivalency](#).

The Korean government randomly inspects imported organic processed foods. If the inspection finds contamination of Genetically Modified Organism (GMO) or agricultural chemicals, the product will not be allowed to be sold as organic in Korea.

Pet foods are not included in the equivalency agreement. However, Korean government has yet to enact an Organic Pet Food Act and allows foreign organic pet foods to enter Korea if the product is accompanied by an official foreign organic certificate.

B. Organic Certification for Unprocessed Foods

There is no equivalency agreement established between the United States and Korea for unprocessed foods, such as grain, fruits, and livestock meat, at the time of this report. Therefore, American unprocessed organic foods, regardless of their USDA/NOP certification status, are required to be certified by MAFRA-accredited certifying agency to be marketed as organic in Korea. It is notable that the certification should be renewed every year. Below is the certification procedures:

- A person who desires certification should apply to a MAFRA-accredited certifying agency using the official form provided by MAFRA. The application should be accompanied by detailed information about the product, including manufacturing process and organic handling plan.
- Documentation review: Once the application has been submitted, the certifying agency reviews the documents to determine whether the content of the documents is in compliance with the standards set forth under the Korean Organic Act. If any non-compliance is identified during the review, the applicant is notified of the fact and requested to correct the non-compliance.
- On-site inspection: If no problems are identified during the document review, the certifying agency sends inspectors to the applicant's production facility. An inspector should not have a conflict of interest with regard to the certification of the applicant. He or she conducts the evaluation based on objective facts to determine whether the organic handling system of the applicant's production facility complies with the standards set forth under the Korean Organic Act and then prepares a report on the results of the review.
- Certification decision: Once the review report is submitted, the certifying agency takes into consideration the review report and all other relevant information from the applicant.
- Certificate issuance: If the applicant is determined as having an organic handling system in compliance with the standards set forth under the Korean Organic Act at his/her production facility, the certifying agency issues a certificate. In the case of non-compliance, the applicant will be notified and another review will be conducted after corrections have been made. Depending on the severity of the non-compliance, other actions may be taken.
- Annual inspections: After issuance of a certificate, the applicant's production facilities will need to be regularly inspected at least once every year. The procedures are the same as those of the initial

certification. Two months before the validity of the certification expires, the applicant should submit a regular inspection application with required documents to the certifying agency.

To date, 57 certifying agencies, including 2 foreign agencies have been accredited by NAQS for certification of organic products. To date, no U.S. certifier has been accredited. American suppliers should consult with their Korean import distribution partners to have their products certified under the Korean Organic Act as the Korean partners usually carry out the certification procedure on behalf of the American suppliers.

C. Labeling and Food Safety Regulations in Korea

Please refer to [Korea FAIRS report](#) published by the Agricultural Affairs Office (AAO) in the U.S. Embassy Seoul for Korean government regulations and standards on imported food and agricultural products, including organic foods. For regulatory questions or guidance, please contact AAO Seoul.

V. KEY FAS/USDA CONTACTS AND FURTHER INFORMATION

A. USDA/FAS OFFICES IN KOREA

U.S. Agricultural Trade Office Seoul (ATO)

Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea

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Telephone: +82-2 6951-6848 Fax: +82-2 720-7921

E-mail: atoseoul@fas.usda.gov

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Agricultural Affairs Office, U.S. Embassy Seoul (AAO)

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Telephone: +82-2 397-4297 Fax: +82-2 738-7147

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U.S. Animal Plant and Health Inspection Service Seoul (APHIS)

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B. USDA COOPERATORS, STATES, INDUSTRY ORGANIZATIONS

Please contact ATO Seoul for contact information of USDA cooperators, state offices, and industry organizations that offer various export assistances.