

Required Report: Required - Public Distribution

Date: October 07,2019

Report Number: KS2019-0008

Report Name: Food Service - Hotel Restaurant Institutional

Country: Korea - Republic of

Post: Seoul ATO

Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

South Korea's Hotel, Restaurant and Institutional (HRI) food service sector continues to grow as consumers spend more on dining out and look for more convenience in their busy lives. In 2017, HRI sales totaled W128 trillion Korean Won (\$113.5 billion), up 8 percent. This report provides an overview of this sector to assist U.S. exporters find opportunities in the dynamic Korean HRI market.

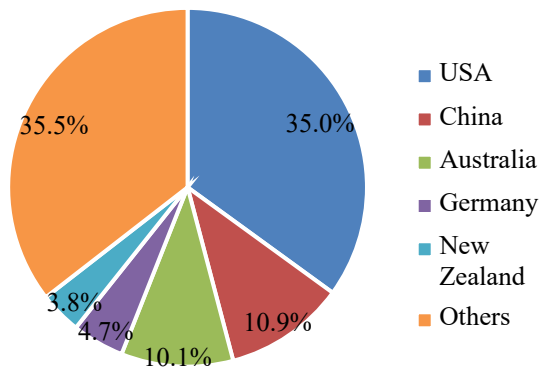
Market Fact Sheet: South Korea

Executive Summary

South Korea is the 11th largest economy in the world with a GDP of \$1.6 trillion and a per capita GNI of \$31,355 in 2018. It is about the size of Indiana and has a population of 51.8 million. Over 90 percent of Koreans live in urban areas. There is strong demand for healthy and functional foods, diversified choices, and new tastes. Domestic production meets only 45 percent of food demand, so the country relies heavily on imports. Korea is the United States' fifth largest agricultural export market. U.S. agricultural exported \$9.4 billion in agricultural products to Korea in 2018, accounting for a quarter of Korea's agricultural imports.

Imports of Consumer-Oriented Products

Korea imported \$14.5 billion in consumer oriented Products in 2018, accounting for 39 percent of their total imports. The United States remains the leading supplier of consumer oriented products, exporting a record \$5.1 billion or 35 percent of total imports. Despite elevated competition from export-oriented competitors, the consumer oriented segment offers increased export opportunity for various U.S. products, including beef, pork, fruits, tree nuts, dairy products, confectioneries, beverages, and further prepared foods.



Food Processing Industry

Korea's food processing industry manufactures a wide variety of processed foods, beverages, and additives. The country had over 29,000 food-processing companies as of 2017, generating \$62.1 billion in sales. Korean food processing companies rely heavily on imported commodity and ingredient products. It imported \$13.3 billion in basic and intermediate agricultural products in 2018, \$3.9 billion of which came from the United States.

Food Retail Industry

Korean retail food sales totaled \$93.2 billion in 2017, accounting for 27.6 percent of overall retail sales. Grocery supermarkets are the leading food retail channel, followed by hypermarket discount stores, convenience stores, on-line retailers, and department stores. On-line retailers and convenience stores are expected to lead the growth of food retail sales in coming years as consumers place more emphasis on convenience and value. The fast expansion of on-line retailers will force conventional retailers to find new strategies to attract consumers back to their stores.

Quick Facts CY 2018

Imports of Ag. Products from the World

- Basic Products	US \$5.2 billion
- Intermediate Products	US \$8.0 billion
- Consumer-Oriented Products	US \$14.5 billion
- Forest Products	US \$3.5 billion
- Seafood Products	US \$5.8 billion
- Total	US \$37.1 billion

Top 10 Consumer-Oriented Ag. Imports

Beef (\$2.7 billion), Pork (\$1.7 billion), Frozen Fish (\$1.4 billion), Fresh Fruits (\$1.4 billion), Dairy Products (\$896 million), Alcoholic Beverages (\$769 million), Coffee (\$637 million), Tree Nuts (\$439 million), Chocolate Confectioneries (\$352 million), Bakeries (\$364 million)

Top 10 Growth Consumer-Oriented Ag. Imports

Animal Offal, Dried Fruits, Specialty Nuts, Specialty Fruits, Butter, Mollusks, Herbs and Spices, Live Fish, Honey, Tea

Food Industry by Channels (2017)

- Retail Food Industry	US \$93.2 billion
- HRI Foodservice Industry	US \$113.5 billion
- Food Processing Industry	US \$ 62.1 billion
- Food and Agricultural Exports	US \$ 7.0 billion

Top Korean Retailers

EMART, LOTTE Mart, HOME PLUS, COSTCO, GS Retail (GS Super, GS25), BGF Retail (CU), Korea Seven, E Land Retail, Shinsegae Department Store, Hyundai Department Store, Hanwha Galleria, CJ O Shopping, GS Home Shopping

GDP/Population

Population: 51.8 million
GDP: US \$1.6 trillion
GDP per capita: US \$31,355

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<ul style="list-style-type: none"> - Well established market with modern distribution channels - Consumer income continue to increase 	<ul style="list-style-type: none"> - High logistics cost to ship U.S. products - Consumers have limited understanding of U.S. products
Opportunities	Challenges
<ul style="list-style-type: none"> - Strong demand for value, quality, and diversity - FTA reduces tariffs for U.S. products. 	<ul style="list-style-type: none"> - Elevated competition from export-oriented competitors - Discrepancies in food safety and labeling regulations

Data and Information Sources: Korea Ministry of Food and Drug Safety, Korea National Statistics Office, Korea Int'l Trade Association, Global Trade Atlas, CIA Factbook

Contact: U.S. Agricultural Trade Office (ATO) Seoul

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SECTION I. MARKET SUMMARY

Korea’s rapid development and urbanization have propelled growth in the HRI sector. In 2017, HRI sales totaled W128 trillion Korean Won (\$113.5 billion), up 8 percent from the year before.¹ Monthly per capita spending on dining out reached W138,326 won (\$120) in 2018.² Dining out now accounts for nearly half (47 percent) of Korean household food and beverage expenditures and 13 percent of total expenditures.

Korean consumers place a high premium on convenience as busy urban lifestyles leave little time for traditional home cooked meals. In the past, households with three or more people were the norm. Today over half of households consist of one to two members and more women have joined the workforce. These demographic trends have led to growing demand for home meal replacement (HMR) products in retail stores as well as take-out meals in restaurants. The demand for convenience has also driven rapid growth in online food sales and restaurant delivery services. Many online retailers now offer next day delivery service for orders placed the night before. These trends are expected to continue, driving further growth in HRI sales in the future.

Table 1. Advantages and Challenges for U.S. Products in Korea

Advantages	Challenges
Korean consumers are eagerly looking for new-to-market products and international tastes as income levels continue to rise.	Consumers have bias toward local products. Past food safety scandals have raised consumer concerns about the quality and safety of imported foods.
Korea depends on imports for its food and agricultural needs. On-going elimination of import barriers will improve market access for imports.	Imported food products still face regulatory barriers, especially U.S. fresh fruit. The government changes food safety and labeling standards frequently. Food additives rules differ between the U.S. and Korea.
The KORUS FTA will help U.S. products compete in Korea under reduced import tariffs.	The United States’ tariff advantage is being diluted as Korea signs FTAs with other countries.
Korean consumers are very sensitive to food safety and quality. Korean traders want to source products from more trusted origins, including the United States, to regain consumer confidence.	Price is still a major factor in purchasing decisions in the HRI sector in Korea. U.S. products face strong competition from cheaper products from exporters such as China and the EU.

¹ 2018 Major Statistics of Food Industry, aT Center (www.aTFIS.or.kr)

² 2018 Monthly Household Expenditure Survey, Korea National Statistical Service (<http://kosis.kr>)

Modern large-scale businesses are driving growth in the HRI sector, creating market efficiencies and distribution platforms for imported products with new tastes, high value, stable supply, consistent quality, and catered specifications.

Many U.S. suppliers do not have a sufficient understanding of the Korean market and are not ready to offer customized products and services. Exporters should consider modifying product specifications and recipes to better match the Korean market.

SECTION II. ROAD MAP FOR MARKET ENTRY

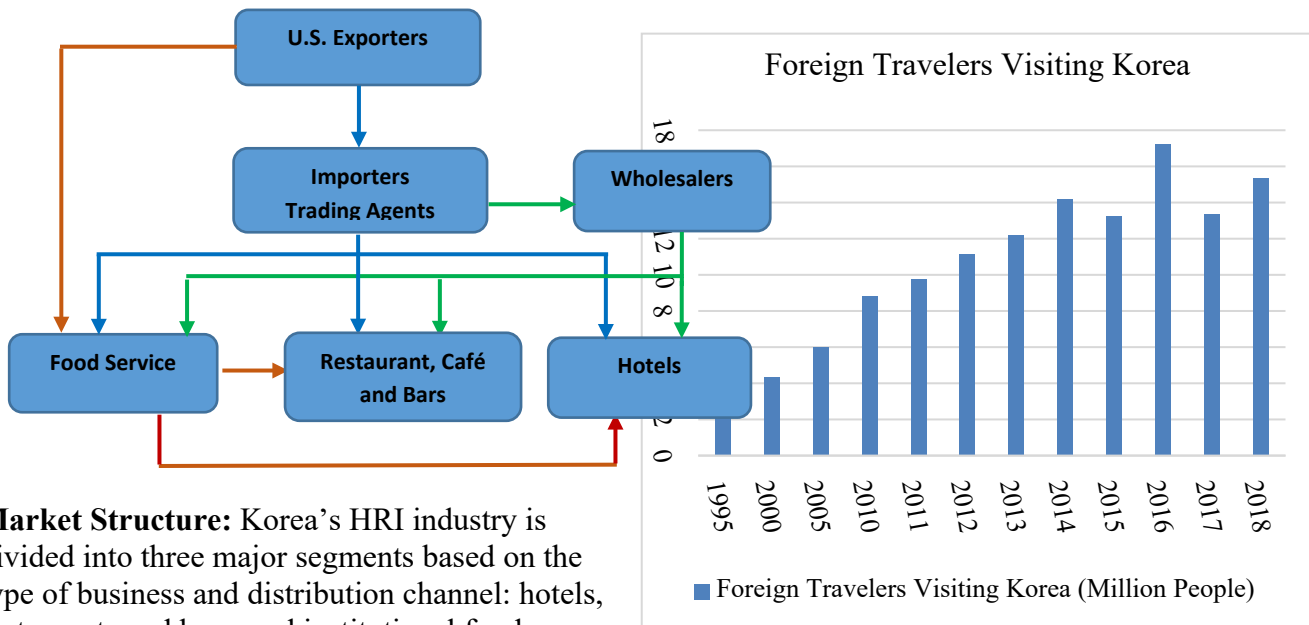
II-1. ENTRY STRATEGY

Korean HRI food service providers generally rely on independent importers or intermediary distributors for imported food products. Leading market players are working to expand direct imports from foreign suppliers to lower costs and improved product assortments. However, their attention is limited to a number of high volume products, such as fresh fruit, meat, and seafood. For contact listings of established Korean import distributors and retail store buyers, please contact the U.S. Agricultural Trade Office (ATO) in Seoul at ATOSEOUL@fas.usda.gov. ATO Seoul also organizes U.S. pavilions at the annual [Seoul Food and Hotel Show](#), [Korea International Beer Expo \(KIBEX\)](#), and [Busan Int'l Seafood and Fishery Expo](#) and offers support to U.S. exhibitors by providing market briefings and arranging business meeting lounges. In addition, ATO Seoul also offers various marketing tools and trade facilitation assistances to U.S. suppliers interested in exporting to Korea.

The following reports and websites provide additional information and guidance on exporting to Korea:

- [Korea FAIRS Report](#) and [Export Certificate Report](#) provide Korean government regulations and standards on imported food and agricultural products.
- [Korea Exporter Guide](#) provides market entry guidance for U.S. suppliers.
- The [ATO Seoul website](#) provides information about the Korean market, including product briefs, food news clippings, KORUS FTA, and links to other resources and organizations.
- [Korea Country Commercial Guide](#) published by the U.S. Commercial Service provides additional information on exporting to Korea.

II-2. MARKET STRUCTURE AND DISTRIBUTION



Market Structure: Korea’s HRI industry is divided into three major segments based on the type of business and distribution channel: hotels, restaurants and bars, and institutional food service and distributors.

Distribution: Wholesalers and intermediary distributors have traditionally played an important role in the market. These are gradually being replaced and streamlined as large-scale restaurant companies and food service distributors expand direct imports to reduce cost.

Hotel Industry

Korea’s hotel room supply continued to increase until 2016 to meet growing demand from foreign travelers. In 2017 the number of hotels dropped 1.8 percent to 800 in response to fewer Chinese visitors and a resulting re-structuring of the industry. Guestroom sales also declined 1.1 percent in 2017. However, food and beverage sales at hotels increased 0.8 percent that year due to higher prices.

[View more tables and charts for industry details.](#)

Restaurant and Bar Industry

Total restaurant and bar sales reached W128 trillion (\$116 billion) in 2017, up 7.9 percent from the year before. Full-service restaurants account for over half the market. Bars serving alcohol are second by number, but only account for 9.3 percent of sales.

Source: [Korea Tourism Organization](#)

Bakeries were the worst performers in 2017, with sales dropping 0.4 percent partially due to low-carbohydrate dieting trends. Bars were the second poorest performers with 4.4 percent growth. Consumers have become more attentive to health risks of heavy alcohol consumption and companies have been reducing representational expenses in response to government anti-corruption regulations. The government also introduced rules mandating a 52-hour workweek. As a result, more corporate workers are going home early instead of staying out drinking.

Quick service restaurants and cafes showed the fastest growth, with sales increasing 11.8 and 9.5 percent respectively. These two sectors are expected to perform well as consumers look for new tastes, manage busy schedules, and become more price sensitive.

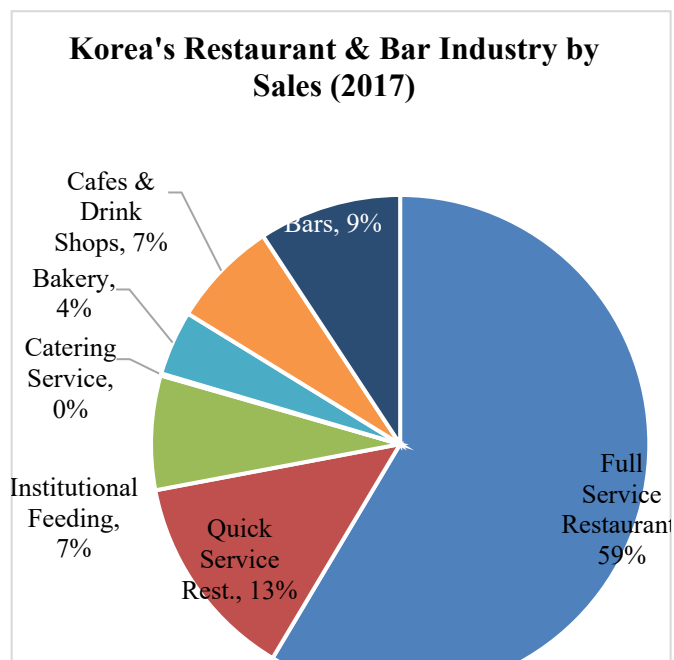
Source: [Korea National Statistical Service](#)

The HRI sector in Korea was mainly composed of small-scale independent or family-operated restaurants and bars until the mid-1990s due to government policies restricting large corporations from entering the sector. Large scale and chain restaurants have been gaining ground since then. Between 2005 and 2015 the number of restaurants and bars with 10 or more employees increased 72 percent, while small establishments with 5 employees or less increased only 19 percent. During those ten years the portion of small restaurants and bars fell from 90 percent to 86 percent. Franchise foodservice businesses have also increased as heightened competition has favored economies of scale. In 2017 16.9 percent of restaurants and bars in Korea were franchise operation, up 0.2 percentage points from 2016.

[View more tables for industry details.](#)

Institutional Food Service and Distributors

The institutional sector in Korea includes food service and distribution to schools, corporate headquarters, manufacturing facilities, hospitals, military bases, and entertainment facilities such as amusement parks and golf resorts. This sector accounted for 7.4 percent of the HRI market in 2017. It is mainly supplied by local importers, wholesalers and, large-scale distributors. The expansion of large-scale and franchise restaurants should generate more opportunities for large-scale distributors in the coming years. Large-scale integrated distributors are expected to displace older distribution channels that involve multiple layers of small and medium-sized intermediary distributors. Industry analysts forecast that large-scale distributors will account for more than 15 percent of product distribution in the sector by 2020. [View more tables for industry details.](#)



SECTION III. COMPETITION

The outlook is excellent for a wide variety of agricultural products, such as beef, pork, condiments and sauces, dairy products, nuts, fresh and processed fruits, processed vegetables, alcohol beverages, and edible offal. On-going trade liberalization should create new opportunities for products that currently face restrictive import barriers. These changes, along with the ongoing implementation of the KORUS FTA, will offer more export opportunities for wide varieties of U.S. food products in the coming year.

[ATO Seoul website](#) provides up-to-date information about Korea’s food and agricultural imports:

- [Korea’s Agricultural Import Statistics](#): This spreadsheet, updated monthly, provides a summary of Korea's agricultural imports on four-digit HS product code level.
- [Korea's Agricultural Import Trends Presentation](#): This presentation, published quarterly, provides a summary of competition between the U.S. and competitors for key products.

Table 2. Top 25 Korean Imports of Consumer-Oriented Agricultural Products and Competition

Product Category/HS Code	Gross Imports 2018 (\$ million)	1 st Supplier	2 nd Supplier	U.S. Ranking
Beef, Frozen/HS0202	1,827	U.S. (57%)	Australia (36%)	1 (57%)
Pork, Chilled or Frozen/HS0203	1,734	U.S. (30%)	Germany (21%)	1 (30%)
Food Preparations NESOI/HS2106	1,421	U.S. (57%)	N.Z. (7%)	1 (57%)
Fish, Frozen (Not Fillets)/HS0303	1,409	Russia (29%)	China (23%)	4 (8%)
Crustaceans/HS0306	1,172	Russia (31%)	Vietnam (22%)	9 (2%)
Mollusks/HS0307	1,089	China (49%)	Vietnam (23%)	15 (0.3%)
Beef, Chilled/HS0201	865	U.S. (59%)	Australia (41%)	1 (59%)
Coffee/HS090	637	Colombia (14%)	U.S. (13%)	2 (13%)
Fish Fillets/HS0304	618	Vietnam (19%)	U.S. (16%)	2 (16%)
Crustaceans, Prepared/Preserved/HS1605	562	Vietnam (26%)	China (23%)	16 (1%)
Cheese and Curd/HS0406	534	U.S. (42%)	N.Z. (17%)	1 (42%)
Live Fish/HS0301	366	China (42%)	H.K. (32%)	5 (2%)
Bread, Pastry, Cakes,	364	Malaysia (18%)	U.S. (15%)	2 (15%)

Biscuits/HS1905				
Other Preserved Fruits and Nuts/HS2008	363	China (29%)	U.S. (15%)	2 (15%)
Bananas/HS0803	365	Philippines (78%)	Ecuador (9%)	NA (0%)
Chocolate Food Preparations/HS1806	329	U.S. (28%)	China (10%)	1 (28%)
Citrus Fruit/HS0805	328	U.S. (87%)	S. Africa (5%)	1 (87%)
Other Nuts/HS0802	316	U.S. (91%)	Australia (4%)	1 (91%)
Beer made from malt/HS2203	310	Japan (25%)	China (13%)	4 (11%)
Other Vegetables, Prepared, Not Frozen/HS2005	283	China (76%)	Thailand (10%)	3 (6%)
Edible Offal/HS0206	270	U.S. (41%)	Australia (39%)	1 (41%)
Vegetables, Frozen/HS0710	253	China (90%)	Vietnam (6%)	3 (2%)
Poultry Meat and Offals/HS0207	252	Brazil (82%)	U.S. (5%)	2 (5%)
Sauces and Preparations/HS2103	250	China (36%)	Japan (24%)	3 (14%)
Fish, Fresh/Chilled (Not Fillets)/HS0302	250	Norway (26%)	Japan (10%)	N/A (0%)

Source: Global Trade Atlas

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Table 3. Fastest Growing Korean Imports of Consumer-Oriented Agricultural Products*

Product Category/HS Code	Gross Imports 2018 (\$ million)	Growth from 2017	U.S. Growth	U.S. M/S
Guts, Bladders, Stomachs/HS0504	138	83%	77%	48%
Dried Fruits/HS0813	18	81%	16%	29%
Coconuts, Brazil Nuts, Cashew/HS0801	123	51%	-6%	1%
Other Fruit, Fresh/HS0810	138	40%	76%	18%
Butter/HS0405	71	40%	67%	10%
Mollusks/HS0307	1,089	37%	10%	0.3%
Ginger, Saffron, Turmeric, Thyme/HS0910	12	33%	0%	0%
Live Fish/HS0301	366	33%	-13.5%	2%
Natural Honey/HS0409	12	32%	-11%	29%
Tea/HS0902	21	30%	27%	7%
Poultry Meat and Offals/HS0207	252	26%	-1%	5%
Lettuce, Fresh/Chilled/HS0705	17	25%	24%	25%
Cider, Perry, Mead/HS2206	34	25%	8%	8%
Fish, Fresh/Chilled (Not Fillets)/HS0302	250	24%	-56%	0%
Soups and Broths/HS2104	21	24%	6%	23%
Other Prepared/Preserved Meat/HS1602	194	24%	33%	15%

Dates, Figs, Pineapple, Etc./HS0804	183	21%	79%	18%
Beef, Chilled/HS0201	865	20%	29%	59%
Fish Fillets/HS0304	618	20%	21%	16%
Mineral Water, Flavored/HS2202	96	20%	28%	25%

*Note: Limited to products that Korean imports were \$10 million or larger

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Post Contact

U.S. Agricultural Trade Office Seoul (ATO)

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USDA Cooperators, States, SRTG, State Offices and AMCHAM in Korea

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[U.S. State Offices in Korea](#)

[American Chamber of Commerce \(AMCHAM\)](#)

Host Country Government

[Ministry of Agriculture, Food and Rural Affairs \(MAFRA\)](#)

[Ministry of Food and Drug Safety \(MFDS\)](#)

[Ministry of Trade, Industry and Energy \(MOTIE\)](#)

[Ministry of Foreign Affairs \(MOFA\)](#)

Attachments:

[Link 1_Korean Hotel Sector Tables & Charts.pdf](#)

[Link 2_Korean Restaurant Sector Tables & Charts.pdf](#)

[Link 3_Korean Institutional Feeding Sector Tables & Charts.pdf](#)