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# **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:**

The long-term outlook for South Korea's Hotel, Restaurant and Institutional (HRI) sector is positive, with strong growth up until the COVID-19 pandemic. As in other countries, the pandemic hit Korea's HRI sector especially hard. Spending on dining out and lodging in Q1 2021 was 4.5 percent lower than the year before. Employment in the HRI sector has also dropped sharply.

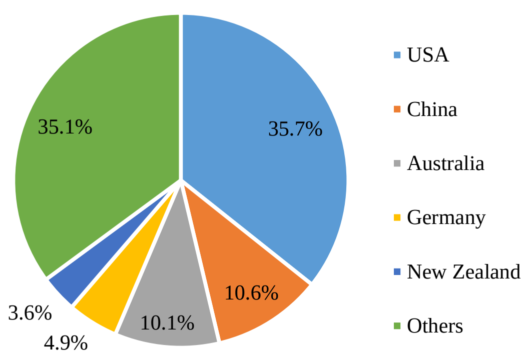
# Market Fact Sheet: South Korea

## Executive Summary

South Korea has the 10th largest economy in the world with a GDP of $1.6 trillion and a per capita GNI of $31,755 in 2020. It is about the size of Indiana and has a population of 52 million. Over 90 percent of Koreans live in urban areas. Domestic production meets only 45 percent of food demand. The United States exported $8.8 billion in agricultural products to Korea in 2020, making it our fifth largest export market. The U.S. supplies a quarter of Korea's agricultural imports.

## Imports of Consumer-Oriented Products

Korea imported $14.8 billion in consumer-oriented products in 2020, accounting for 41 percent of agricultural imports. There are still many opportunities for U.S. export growth in this segment, including for beef, pork, fruits, tree nuts, dairy products, confectioneries, beverages, and further prepared foods.




## Food Processing Industry

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

## Food Retail Industry

Korean retail food sales totaled $93.6 billion in 2019, accounting for 26 percent of total retail sales. Grocery supermarkets are the leading food retail channel, followed by hypermarkets, convenience stores, on-line retailers, and department stores. On-line retailers and convenience store food sales are expected to grow faster than other channels over the next 5-10 years.

### *Quick Facts CY 2020*

**Imports of Ag. Products from the World**

| | |
|---|---|
| - Basic Products | US$5.3 billion |
| - Intermediate Products | US$8.1 billion |
| - Consumer-Oriented Products | US$14.8 billion |
| - Forest Products | US$2.7 billion |
| - Seafood Products | US$5.3 billion |
| - Total | US$36.1 billion |

**Top 10 Consumer-Oriented Ag. Imports from the World**

| | | | | | |
|---|---|---|---|---|---|
| 1) | Beef | $2.9 B | 6) | Alcoholic Bev | $780 M |
| 2) | Pork | $1.4 B | 7) | Coffee | $738 M |
| 3) | Frozen Fish | $1.2 B | 8) | Bakeries | $348 M |
| 4) | Fresh Fruit | $1.2 B | 9) | Tree Nuts | $338 M |
| 5) | Dairy | $1.1 B | 10) | Confectionery | $328 M |

**Top 10 Growth Consumer-Oriented Ag. Imports**

Animal offal, mineral water, food preparations not-elsewhere-specified, butter, vinegar, grapes, poultry meat, beef, roasted prepared foods, melons & papayas

**Food Industry by Channels**

| | |
|---|---|
| - Retail Food Industry | US$93.6 billion |
| - HRI Foodservice Industry | US$121.3 billion |
| - Food Processing Industry | US$65.2 billion |
| - Food & 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, Lotte Department Store, Shinsegae Department Store, Hyundai Department Store, Hanwha Galleria, CJ O Shopping, GS Home Shopping, SK Planet, Ebay Korea

**GDP/Population**

Population: 51.3 million
GDP: US$ 1.6 trillion
GDP per capita: US$ 31,755

## Strengths/Weaknesses/Opportunities/Challenges

| *Strengths* | *Weaknesses* |
|---|---|
| - Well established market with modern distribution channels<br>- Consumer income level continues to increase | - High logistics cost to ship American products<br>- Consumers have limited understanding of American products |
| ***Opportunities*** | ***Challenges*** |
| - Strong consumer demand for value, quality, and diversity<br>- KORUS FTA reduces tariff barriers for American products | - Elevated competition from export-oriented competitors<br>- Discrepancies in food safety and labeling regulations |

**Data and Information Sources:** Korea Ministry of Food & Drug Safety, Korea National Statistics Office, Korea Int'l Trade Association, Global Trade Atlas, CIA Factbook. To the greatest extent possible, the latest available statistics are used in this publication.

**Contact:** U.S. Agricultural Trade Office (ATO) Seoul
E-mail: atoseoul@fas.usda.gov

## *SECTION I. MARKET SUMMARY*

Korea's HRI sector was growing rapidly until the COVID-19 pandemic in early 2020. HRI sales totaled W144 trillion Korean Won ($121.3 billion) in 2019 (latest year available), up 4.5 percent from the year before.[1] Monthly per capita spending on HRI reached W133,008 won ($113) in 2020.[2] Dining out accounted for half of Korean household food and beverage expenditures and 13 percent of total consumption expenditures in 2020.

Korean consumers place a high premium on convenience as busy urban lifestyles leave little time for traditional home cooked meals. Today over half of households consist of one or two members and more women have joined the workforce. These demographic changes have led to growing demand for home meal replacement 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 using food delivery apps. These trends are expected to continue, driving further growth in HRI sales.

While the long-term outlook looks positive, the Korean food industry is facing huge challenges during the COVID-19 pandemic and the food service and HRI sectors have been hit hard. According to annual labor and employment statistics released by the Ministry of Labor and Employment, the total number of people employed in 2020 declined by 219,000 from 2019. The wholesale and retail sector saw the largest decline in employment (-160,000), followed by the HRI industry (-159,000), and education service (-85,000). Monthly average household spending during 2020 was 3,239,681 won ($2,747 USD) according to the National Statistics Office, down 27 percent from the previous year. Spending on dining out and lodging declined 7.7 percent from the year before.

The Korean economy stabilized in the second quarter (up 0.8 percent from the first quarter), but the unemployment rate for young Koreans hit a record high in March 2021.[3] The HRI sector may continue to face sales declines as consumers avoid travel and eating out due to COVID-19 and many restaurants and institutions are going (or have gone) out of business due to serious financial problems.

**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 a 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. |
| Korean consumers are very sensitive to food safety and quality. Korean traders want to source products from more trusted origins, including the | 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 |

[1] 2020 Major Statistics of Food Industry, Korea National Statistical Service (http://kosis.kr)
[2] 2020 Monthly Household Expenditure Survey, Korea National Statistical Service (http://kosis.kr)
[3] 2021 The Bank of Korea Quarterly GDP Report (www.bok.or.kr) and 2021 June Employment Report, Statistics Korea (www.kostat.go.kr)

| | |
|---|---|
| United States, to regain consumer confidence. | exporters such as China and the European Union. |
| 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 fit the Korean market. |

## *SECTION II. ROAD MAP FOR MARKET ENTRY*

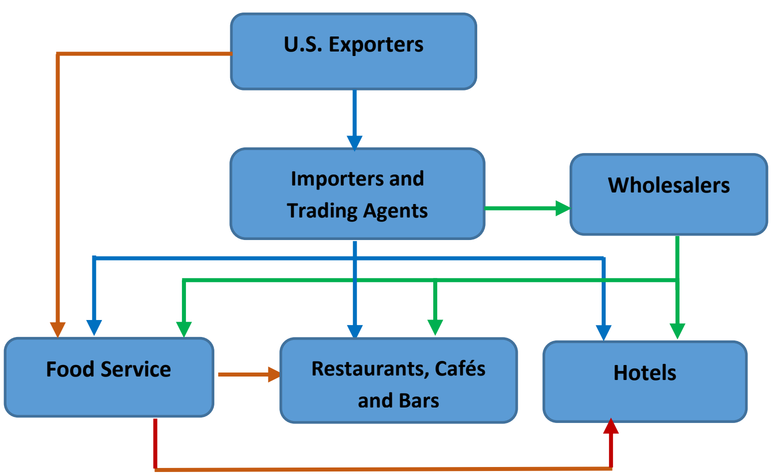
### *II-1. ENTRY STRATEGY*

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 improve product assortments. However, their attention is limited to a few 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 International 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.
- Doing Business in Korea published by the U.S. Commercial Service is another useful source of information about 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 broad-line food service distributors expand direct imports to reduce cost.

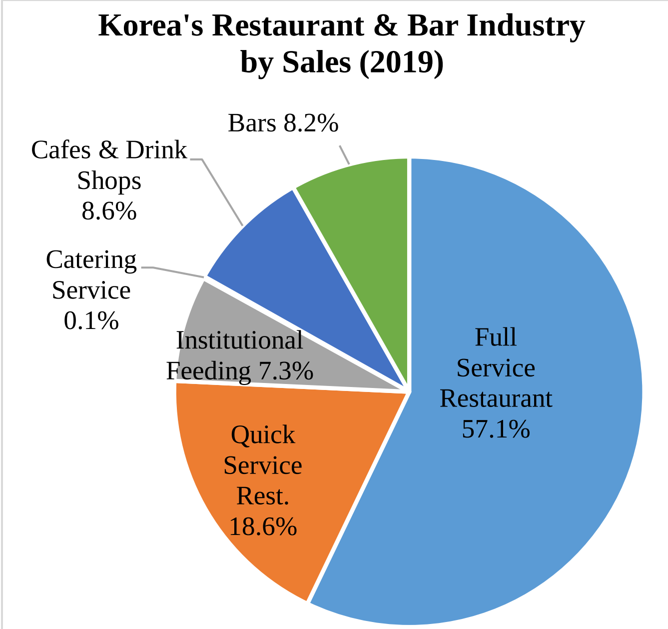
**Hotel Industry**

Korea's hotel room supply continued to increase until 2016 to meet growing demand from foreign travelers, but in 2017 the number of hotels began to drop in response to fewer Chinese visitors and a resulting re-organization in the industry. In 2019, the number of hotels dropped 4.2 percent to 746 from 779 in 2018, but guestroom sales increased 13.9 percent. Food and beverage sales at hotels also increased 3.3 percent that year due to higher prices. In 2021, the hotel industry is now suffering from low occupancy rate of around 20 percent due to COVID-19 and related travel restrictions. The average occupancy rate before the pandemic was 60 to 70 percent, with around 70 percent of guests coming from foreign countries. View more tables and charts for industry details.

Source: Korea Tourism Organization

**Restaurant and Bar Industry**

Total restaurant and bar sales reached 144 trillion Won ($124 billion) in 2019, up 4.5 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 8 percent of sales. Bars were also the worst performers in 2019; sales dropped 4.5 percent as consumers are becoming more attentive to health risks of high ABV alcohol consumption and companies have been reducing representational expenses in response to government anti-corruption regulations. Sales at bars will likely continue to decline as the Korean economy contracts due to COVID-19 and as their business hours are shortened due to social distancing requirements.



Source: Korea National Statistical Service

Cafes and quick service restaurants showed the fastest growth, with sales increasing 14.5 and 6.1 percent, respectively in 2019. These two sectors are expected to perform well as consumers look for new tastes, manage busy schedules, and become more price sensitive. However, they too have suffered in 2020 and 2021 due to COVID-19.

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 growing 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 2018, 17.4 percent of restaurants and bars in Korea were franchise operation, up 0.5 percentage points from 2017 (latest year available). 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 7.3 percent of HRI market sales in 2019. 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 may account for more than 15 percent of product distribution in the sector in 2021. However, this sector is also undergoing unprecedented sales loss due to COVID-19 mandated closures and reduced demand by restaurant distribution businesses. 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. In addition, on-going trade liberalization should create new opportunities for products that currently face restrictive import barriers. These changes, along with the ongoing implementation of the KORUS FTA, will offer more export opportunities for a wide variety of U.S. food products in the coming year.

ATO Seoul's website provides up-to-date information about Korea's food and agricultural imports:

- Korea's Agricultural Import Statistics: monthly updates on Korean agricultural imports (four-digit HS product code level). Both U.S. export data (FOB value) and Korean import data (CIF value) are provided.
- Korea's Agricultural Import Trends Presentation: quarterly summary of competition between the U.S. and competitors in key products.

**Table 2: Top Korean Imports of Consumer-Oriented Products and Competition**

| Product Category/HS Code | Gross Imports 2020 ($ million) | 1st Supplier (M/S) | 2nd Supplier (M/S) | U.S. Ranking |
|---|---|---|---|---|
| **Food Preparations NESOI[4]/HS2106** | 1,112 | U.S. (57%) | Germany (6%) | 1 (57%) |
| **Beef, Frozen/HS0202** | 1,110 | U.S. (58%) | Australia (35%) | 1 (58%) |
| **Pork, Fresh, Chilled or Frozen/HS0203** | 428 | U.S. (31%) | Spain (14%) | 1 (31%) |
| **Fish, Frozen (Not Fillets)/HS0303** | 92 | Russia (33%) | China (20%) | 5 (8%) |
| **Crustaceans/HS0306** | 14 | Russia (35%) | Vietnam (19%) | 12 (1%) |
| **Beef, Fresh or Chilled/HS0201** | 622 | U.S. (64%) | Australia (36%) | 1 (64%) |
| **Mollusks/HS0307** | 9 | China (44%) | Vietnam (23%) | 7 (1%) |
| **Coffee/HS0901** | 100 | Columbia (14%) | U.S. (14%) | 2 (14%) |
| **Cheese and Curd/HS0406** | 259 | U.S. (41%) | N.Z. (16%) | 1 (41%) |
| **Fish Fillets, Fresh/Chilled/Frozen/HS0304** | 89 | Vietnam (17%) | U.S. (15%) | 2 (15%) |
| **Prepared/Preserved Crustaceans/HS1605** | 2 | Vietnam (25%) | China (22%) | 27 (0%) |
| **Other Preserved Fruits & Nuts/HS2008** | 57 | China (29%) | Vietnam (17%) | 3 (16%) |
| **Bread, Pastry, Cakes/HS1905** | 57 | Malaysia (18%) | U.S. (16%) | 2 (16%) |
| **Wine/HS2204** | 56 | France (28%) | Chile (18%) | 3 (17%) |
| **Chocolate & Food Preparations/HS1806** | 81 | U.S. (25%) | Italy (9%) | 1 (25%) |
| **Other Nuts/HS0802** | 270 | U.S. (92%) | Australia (5%) | 1 (92%) |
| **Bananas/HS0803** | 0 | Philippines (75%) | Columbia (8%) | 11 (0%) |
| **Poultry Meat & Offals/HS0207** | 4 | Brazil (80%) | Thailand (9%) | 5 (1%) |
| **Sauces & Preparations/HS2103** | 38 | China (38%) | Japan (20%) | 3 (15%) |
| **Citrus Fruit, Fresh/Dried/HS0805** | 221 | U.S. (87%) | S. Africa (3%) | 1 (87%) |
| **Fish, Fresh/Chilled (Not Fillets)/HS0302** | 0 | Norway (90%) | Japan (5%) | 19 (0%) |
| **Edible Offals/HS0206** | 93 | Australia (47%) | U.S. (38%) | 2 (38%) |
| **Fruit Juices/HS2009** | 53 | U.S. (22%) | Spain (21%) | 1 (22%) |
| **Beer/HS2203** | 35 | Netherlands (18%) | U.S. (15%) | 2 (15%) |
| **Sugar Confectionery/HS1704** | 19 | Germany (26%) | China (20%) | 3 (9%) |

Source: Korean government import data (KOTIS) released by Korea Int'l Trade Association (www.kita.net). CIF value.

[4] NESOI: Not Elsewhere Specified or Included

## *SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES*

**Table 3. Fastest Growing Korean Imports of Consumer-Oriented Agricultural Products**[5]

| Product Category/HS Code | Gross Imports 2020 ($ million) | Growth from 2019 | Imports from U.S. ($ million) | U.S. Growth |
|---|---|---|---|---|
| **Vinegar/HS2209** | 13 | 50% | 3 | 95% |
| **Cabbage, Cauliflower, Etc./HS0704** | 24 | 43% | 0 | 12% |
| **Onions, Shallots, Garlic, Leeks/HS0703** | 18 | 28% | 0 | n/a |
| **Wine/HS2204** | 330 | 27% | 56 | 65% |
| **Natural Honey/HS0409** | 12 | 23% | 5 | 37% |
| **Peas & Beans, Dried/HS0713** | 64 | 21% | 6 | 2% |
| **Lettuce, Fresh/Chilled/HS0705** | 16 | 20% | 5 | 34% |
| **Dried Pepper/HS0904** | 41 | 19% | 1 | 56% |
| **Ice Cream & Other Edible Ice/HS2105** | 45 | 19% | 15 | 82% |
| **Olive Oil/HS1509** | 79 | 18% | 1 | 54% |
| **Prepared Foods - Roasted/HS1904** | 46 | 18% | 14 | 33% |
| **Other Fruit, Fresh/HS0810** | 178 | 18% | 34 | 5% |
| **Processed Meat (Dried, Meals)/HS0210** | 18 | 17% | 11 | -1% |
| **Cider, Perry, Mead/HS2206** | 33 | 14% | 2 | -10% |
| **Cheese and Curd/HS0406** | 629 | 13% | 259 | 3% |
| **Beef, Fresh or Chilled/HS0201** | 979 | 13% | 622 | 15% |
| **Jams, Jellies, Marmalades/HS2007** | 28 | 12% | 4 | -3% |
| **Coffee/HS0901** | 738 | 12% | 100 | 3% |
| **Food Preparations NESOI/HS2106** | 1,960 | 12% | 1,112 | 9% |
| **Vegetables/Fruits/Nuts in Vinegar/HS2001** | 35 | 7% | 2 | 9% |

Source: Korean government import data (KOTIS) released by Korea Int'l Trade Association (www.kita.net). CIF value.

[5] 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, SRTG, State Offices and AMCHAM in Korea**

USDA Cooperators in Korea
U.S. State Regional Trade Groups (SRTG)
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:** No Attachments