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Report Highlights:

The United States is the leading supplier of imported consumer-oriented agricultural products to the Korean retail industry, shipping a record $6.2 billion in 2021. The outlook for U.S. products in the Korean retail industry is excellent for a wide range of products, including beef, pork, processed meat, vegetables, fruits, nuts, dairy products, juices and soft drinks, alcoholic beverages, condiments and sauces, processed organic foods, coffee, bakery products, snacks and confectioneries.

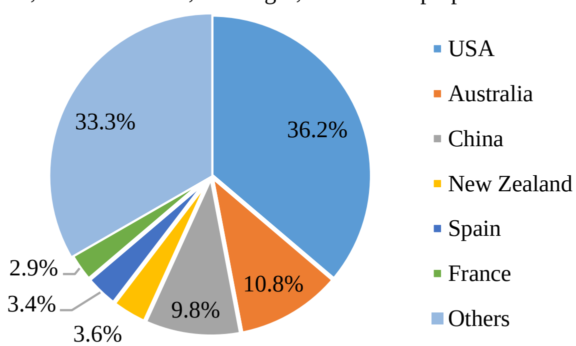
Market Fact Sheet: Korea- Republic of

Executive Summary

South Korea has the 10th largest economy in the world with a GDP of $1.7 trillion and a per capita GNI of $35,000 in 2021. It is about the size of Indiana and has a population of 51.7 million. Over 80 percent of Koreans live in urban areas. Domestic production meets only 46 percent of food demand. The United States exported $10.2 billion in agricultural products to Korea in 2021, 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 $17.3 billion in consumer-oriented products in 2021, accounting for 40 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 2020, generating $56.0 billion in sales. Korean food processing companies rely heavily on imported commodities and ingredients. Imports of basic and intermediate agricultural products totaled $17 billion in 2021. Twenty one percent ($3.5 billion) of these imports came from the United States.

Food Retail Industry

Korean retail food sales totaled $106 billion in 2021, accounting for 28 percent of total retail sales (excluding automobiles.) 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 store food sales are expected to grow faster than other channels over the next 5-10 years. The fast expansion of on-line retailers is forcing conventional retail channels to restructure space and devise new strategies to attract consumer traffic.

Quick Facts CY 2021

Imports of Ag. Products from the World
- Basic Products US$6.8 billion
- Intermediate Products US$10.2 billion
- Consumer-Oriented Products US$17.3 billion
- Forest Products US$3.5 billion
- Seafood Products US$5.7 billion
- Total US$43.5 billion

Top 10 Consumer-Oriented Ag. Imports from the World

1)Beef ($3.5B)
2)Food Preparations ($2.2B)
3)Pork ($1.7B)
4)Alcoholic Bev ($1.3B)
5)Coffee ($916M)
6) Cheese and Curd ($685M)
7) Preserved Fruits, Nuts ($412M)
8) Bakeries ($390M)
9) Chocolates ($357M)
10) Preserved Vegetables ($354M)

Top 10 Growth Consumer-Oriented Ag. Imports

Eggs, buttermilk & yogurt, vegetables under HS0703, wine, butter, cider, beef, vinegar, coconuts, mineral water

Food Industry by Channels
- Retail Food Industry US$106.0 billion (2021)
- HRI Foodservice Industry US$121.3 billion (2019)
- Food Processing Industry US$65.6 billion (2020)
- Food & Agricultural Exports US$7.6 billion (2020)

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, Coupang

GDP/Population (2020)

Population: 51.8 million
GDP: US$ 1.6 trillion
GDP per capita: US$ 31,631

Strengths/Weaknesses/Opportunities/Challenges

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

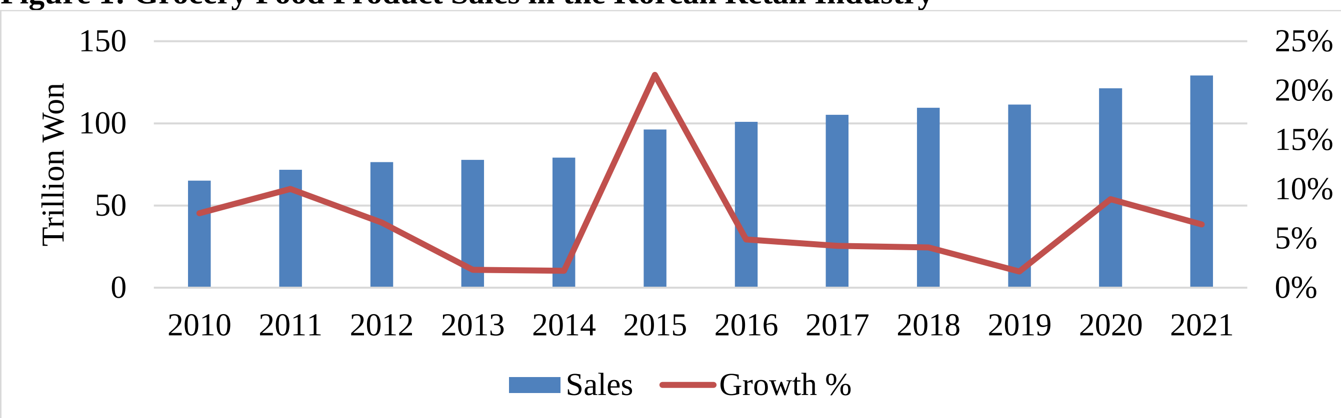
SECTION I. MARKET SUMMARY

The South Korean retail industry has showed steady growth over the last three decades, driven by the development of Korea's economy and evolving consumer preferences.[1] Growing consumer demand for quality, value and diversity have led to fast growth in modern, large-scale brick-and-mortar retailers, including hypermarkets, supermarkets, convenience stores, and on-line retailers at the cost of traditional street markets and small independent grocers.

The dramatic shift in family spending during the COVID-19 pandemic increased spending on essential items such as groceries. Korean families purchased more groceries during the COVID-19 pandemic as they had more meals at home. Per capita Korean family grocery purchases grew 15 percent in 2020, reaching 165,000 won ($140) per month. In contrast, per capita Korean family spending on dining out declined 7 percent in 2020 to 129,000 won ($109) per month.

Korea has managed the COVID-19 pandemic relatively well and in 2021 Korea saw a recovery in spending as people adjusted to the pandemic. Growth in spending on groceries and other home related items slowed but remained strong. Spending on dining out recovered significantly, although it is still below 2019 levels. Retail grocery sales kept growing in 2021 and reached a record 129 trillion won ($103 billion), up 6.5 percent from 2020.

Figure 1: Grocery Food Product Sales in the Korean Retail Industry[2]



Source: Retail Industry Statistics, Korea National Statistics Office (NSO, http://kosis.kr).

In March-April 2022 Korea faced a large wave of COVID-19 cases due to Omicron and more than a third of the population has caught COVID as of June 20 this year. The government plans to keep administering booster vaccinations to most of the population by fall 2022. Businesses in the food sector expect to invest in offering and promoting new products in the coming months as the pandemic improves. This should generate new opportunities for U.S. suppliers.

Korean imports of consumer-oriented agricultural products reached a record $16.9 billion in 2021, accounting for 40 percent of all Korean agricultural imports. Most imported consumer-oriented agricultural products are distributed through the grocery retail sector. Over one third ($6.2 billion) of consumer-oriented agricultural imports came from the United States.

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[1] Korean government deregulations in the early 1990's allowed the entry of large-scale businesses into the retail industry.
[2] NSO introduced a new survey method in 2015, so the sharp growth in 2015 should be interpreted with a caution.

Korean consumers generally recognize the United States as a trusted origin for quality food. The Korea-United States Free Trade Agreement (KORUS FTA) reduced tariffs and market access barriers for U.S. products. The outlook for U.S. products in the Korean retail industry is excellent for a wide range of products, including beef, pork, processed meat, seafood, vegetables, fruits, nuts, dairy products, juices and soft drinks, alcoholic beverages, condiments and sauces, processed organic foods, coffee, bakery products, snacks and confectioneries.

Table 1: Advantages and Challenges in the Korean Retail Industry

Advantages	Challenges
Korea is a fast-paced market where new ideas and trends are eagerly tried and accepted. Rising incomes are creating demand for diverse and high-quality food.	Many Korean consumers are biased toward locally produced agricultural products, believing they are better and safer than imported products.
Korea depends heavily on food and agricultural imports. Consumers closely follow international food and consumption trends.	Imports are subject to strict food safety regulations. Korean food safety standards change frequently and with short notice.
Modern large-scale retailers provide a more efficient marketing environment for imported products.	The supply chain for imported products includes multiple layers of intermediary distributors and agents, which adds cost and inefficiency.
Korean consumers are very concerned about food safety. Many consumers recognize the United States as a trusted origin for quality agricultural products.	U.S. products face strong competition from other exporting countries. The recent economic slowdown has made consumers more price sensitive, favoring low priced competitors.

II. ROAD MAP FOR MARKET ENTRY

II-1. ENTRY STRATEGY

Korean retailers in general rely heavily on independent importers or intermediary distributors (trade agents or wholesalers) for imported food products. While leading retail companies are trying to expand direct imports from foreign suppliers to lower costs, they are mostly focused on a limited number of high-volume products such as fresh fruit, beef, and seafood. Many foreign suppliers find it easier to work with intermediary import distributors in Korea to have their products marketed to multiple retailers instead of selling directly to one retailer exclusively.

For assistance in reaching out to established Korean import distributors and retail buyers, please contact the United States Agricultural Trade Office (ATO) Seoul. ATO Seoul offers various marketing tools and trade facilitation help to U.S. suppliers. ATO Seoul also offers information about the Korea market on its website (www.atoseoul.com), including:

- Annual reports and periodic briefs on key products and industries
- Korean agricultural import data by 4-digit HS product classification (monthly spreadsheets)
- Local media food news clippings
- Contact information for industry organizations

Suppliers should also make sure that their products meet Korean food regulations and standards. For assistance in identifying or resolving regulatory issues, please contact [the Office of Agricultural Affairs (OAA) Seoul] (contact information is shown at the end of this report).

II-2. MARKET STRUCTURE

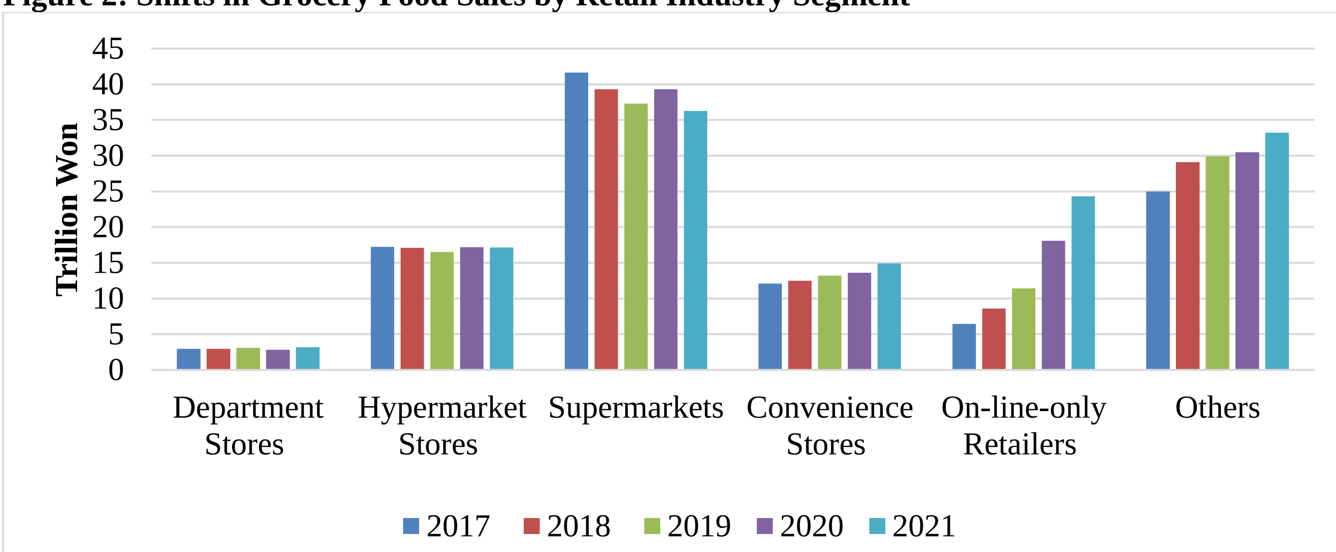
Grocery food products accounted for 28 percent of overall Korean retail industry sales (excluding automobiles) in 2021, the highest level in years. Grocery supermarkets were the leading retail channel for groceries in the industry, generating 36.3 trillion won in food sales in 2021, followed by on-line-only retailers (24 trillion won), hypermarkets (17 trillion won), and convenience stores (15 trillion won).

Table 2: Sales of Grocery Food by Retail Industry Segment (2021)

Segment	Total Sales	Share of Food Products in Total Sales (Estimate)[3]	Food Sales (Estimate)
Grocery Supermarkets	45.4 trillion won	80.0%	36.3 trillion won
On-line-only Retailers[4]	187.1 trillion won	13.0%	24.3 trillion won
Hypermarkets	34.6 trillion won	49.4%	17.1 trillion won
Convenience Stores	28.4 trillion won	52.5%	14.9 trillion won
Department Stores	33.7 trillion won	9.6%	3.2 trillion won
Others	189.3 trillion won	17.5%	33.2 trillion won
Total	518.5 trillion won		129.0 trillion won

Source: Korea National Statistics Office (NSO, http://kosis.kr) – 'Retail Industry Statistics', 'Service Industry Statistics', 'On-line Retail Industry Statistics'

Figure 2: Shifts in Grocery Food Sales by Retail Industry Segment



[3] Food share estimates are based on IR reports of some of the leading companies. The figure for on-line-only retailers is from NSO's On-line Retail Industry Statistics.
[4] Conventional retailers that also operate on-line shopping tools are not included.

Source: Korea National Statistics Office (NSO, http://kosis.kr) – 'Retail Industry Statistics', 'Service Industry Statistics', 'On-line Retail Industry Statistics'

Before COVID-19, online retailers accounted for 25 percent of all retail grocery sales. The pandemic promoted online sales of grocery products as Koreans looked for ways to shop while avoiding crowded stores. On-line-only retailers saw the most growth (13 percent) in its grocery food sales in 2021 as consumers used more on-line, non-contact shopping tools during periods when social distancing was common.

Supermarkets and hypermarkets saw a slight decrease in grocery food sales, partly because they lost consumers to online shopping channels and convenience stores in the neighborhood. Consumers shopped for groceries less frequently and spent less as their ability to dine out rebounded in 2021.

Department stores saw a sharp decline in grocery food sales in 2020 due to reduced consumer traffic and more competition from on-line retailers, but food sales in 2021 went up by 13 percent as consumers started to come back as social distancing requirements were relaxed.

Table 3: Top Korean Retailers (2021)

Segment	Company / Brand	Store #	Website
Grocery Supermarkets	Nongchukhyup / Hanaro Mart	2,214	nhhanaro.co.kr
	Lotte Shopping Co. / Lotte Super	395	lottesuper.co.kr
	GS Retail Co. / GS Supermarket	356	gssuper.com
	Homepuls Co. / Home Plus Express	332	homeplus.co.kr
	EMART, Inc. / EMART Everyday	248	emarteveryday.co.kr
	EMART, Inc / No Brand	269	emart.com
Hypermarkets	EMART, Inc. / EMART, Traders	158	emart.com
	Homeplus Co. / Home Plus	140	homeplus.co.kr
	Lotte Shopping Co. / Lotte Mart	112	lottemart.co.kr
	COSTCO Wholesale / COSTCO	16	costco.co.kr
Convenience Stores	BGF Korea Co. / CU	15,855	bgfcu.com
	GS Retail Co. / GS25	15,719	gs25.gsretail.com
	Korea Seven Co. / Seven Eleven	11,173	7-eleven.co.kr
	EMART, Inc. / EMART24	5,857	emart24.co.kr
	Ministop Korea Co. / Ministop	2,620	ministop.co.kr
On-line-only Retailers	Coupang Co.	NA	coupang.com
	SK Planet Co.		11st.com
	Naver Co.		naver.com
	CJ O Shopping Co.		cjmall.com
	GS Home Shopping Co.		gseshop.co.kr
	Hyundai Home Shopping Network Corp.		hmall.com
	Woori Home Shopping Co.		lotteimall.com
	Ebay Korea, Inc.		gmarket.co.kr
	NS Shopping Co.		nseshop.com
	Interpark Co.		interpark.com
	Kurly Corp.		kurly.com
Department Stores	Lotte Shopping Co. / Lotte Dept. Store	54	lotteshopping.com
	Shinsegae Co. / Shinsegae Dept. Store	19	shinsegae.com
	E Land Retail Co. / NewCore, NC Dept.	38	elandretail.com
	Hyundai Dept. Co. / Hyundai Dept. Store	16	ehyundai.com

	Hanwha Galleria / Galleria Dept. Store	5	dept.galleria.co.kr
	AK S&D Co. / AK Dept. Store	5	akplaza.com
Organic Grocery Stores	ORGA Whole Foods	95	orga.co.kr
	Chorocmaeul	407	choroc.com
Health & Beauty Stores	Lotte Shopping Co./LOHB's	36	lohbs.co.kr
	CJ Olive Networks Co./Olive Young	1,265	oliveyoung.co.kr
	GS Retail Co./Lalabla	48	lalavla.gsretail.com

Source: Company IR reports, company internet homepages, media news articles.

III. COMPETITION

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 4: Top Korean Imports of Consumer-Oriented Products and Competition

Product Category/HS Code	Gross Imports 2021 ($ million)	1st Supplier (Market Share)	2nd Supplier (Market Share)	U.S. Ranking
Food Preparations NESOI[5]/HS2106	2,233	U.S. (56%)	Germany (8%)	1 (56%)
Beef, Frozen/HS0202	2,135	U.S. (54%)	Australia (37%)	1 (54%)
Pork, Fresh, Chilled or Frozen/HS0203	1,718	U.S. (26%)	Spain (23%)	1 (26%)
Beef, Fresh or Chilled/HS0201	1,425	U.S. (67%)	Australia (33%)	1 (67%)
Coffee/HS0901	916	Switzerland (14%)	Columbia (14%)	4 (12%)
Cheese and Curd/HS0406	685	U.S. (42%)	N.Z. (17%)	1 (42%)
Wine/HS2204	560	France (32%)	U.S. (16%)	2 (16%)
Other Preserved Fruits & Nuts/HS2008	412	China (31%)	Vietnam (18%)	3 (18%)
Bread, Pastry, Cakes/HS1905	390	U.S. (17%)	Malaysia (15%)	1 (17%)
Chocolate & Food Preparations/HS1806	357	U.S. (27%)	Italy (9%)	1 (27%)
Other Vegetables, Not Frozen/HS2005	354	China (75%)	Thailand (10%)	3 (6%)
Other Nuts/HS0802	342	U.S. (90%)	Australia (6%)	1 (90%)
Alcohols greater than 80%/HS2207	311	U.S. (60%)	Brazil (32%)	1 (60%)
Sauces & Preparations/HS2103	297	China (37%)	Japan (19%)	3 (16%)
Vegetables, Frozen/HS0710	295	China (86%)	Vietnam (8%)	3 (2%)
Bananas/HS0803	290	Philippines (73%)	Columbia (8%)	11 (0%)
Edible Offals/HS0206	273	Australia (46%)	U.S. (34%)	2 (34%)
Poultry Meat & Offals/HS0207	273	Brazil (83%)	Thailand (14%)	3 (1%)
Citrus Fruit, Fresh/Dried/HS0805	268	U.S. (86%)	Australia (4%)	1 (86%)
Spirits, Liqueurs, Alcohol less than 80%/HS2208	239	U.K. (67%)	China (6%)	3 (6%)
Sugar Confectionery/HS1704	231	China (29%)	Germany (21%)	4 (7%)
Beer/HS2203	223	Netherlands (19%)	China (17%)	5 (8%)
Fruit Juices/HS2009	221	Spain (21%)	U.S. (21%)	2 (21%)
Other Fruit, Fresh/HS0810	220	N.Z. (66%)	U.S. (15%)	2 (15%)

[5] NESOI: Not Elsewhere Specified or Included

Dates, Figs, Pineapples, Avocados, etc./HS0804	207	Peru (27%)	Philippines (27%)	4 (5%)

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

Table 5: Fastest Growing Korean Imports of Consumer-Oriented Products[6]

Product Category/HS Code	Total Imports 2021 ($ million)	Growth from 2020	Imports from U.S. ($ thousand)	U.S. Growth
Birds Eggs, In Shell/HS0407	90	2673%	85,000	18309%
Birds Eggs, Shelled/HS0408	27	197%	13,000	123%
Buttermilk, Yogurt, etc./HS0403	13	127%	9,000	159%
Onions, Shallots, Garlic, Leeks, etc./HS0703	35	90%	1,000	1047%
Wine/HS2204	560	70%	91,000	62%
Butter/HS0405	145	63%	13,000	51%
Cider, Perry, Mead/HS2206	49	48%	2,000	17%
Beef, Fresh or Chilled/HS0201	1,425	46%	948,000	52%
Vinegar/HS2209	19	42%	4,000	11%
Coconuts, Brazil Nuts & Cashew Nuts/HS0801	60	38%	369	8%
Mineral Water, Flavored/HS2202	117	32%	23	18%
Lamb, Mutton, Goat, Fresh, Chilled or Frozen/HS0204	188	32%	0	n/a
Prepared Foods - Roasted/HS1904	59	29%	15	9%
Spirits, Liqueurs, Alcohol less than 80%/HS2208	239	29%	14	47%
Dates, Figs, Pineapple, Avocado, etc./HS0804	207	28%	11	-25%
Processed Meat (Dried, Smoked, etc.)/HS0210	23	26%	14	28%
Tomatoes, Prepared/Preserved/HS2002	49	24%	18	42%
Pork, Fresh, Chilled or Frozen/HS0203	1,718	24%	450	5%
Other Fruit, Fresh/HS0810	220	24%	33	-1%
Natural Honey/HS0409	15	23%	6	26%

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

[6] Listing is limited to top 20 growth products that Korean imports were $10 million or larger.

IV. KEY FAS/USDA CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office Seoul (ATO)
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E-mail: atoseoul@usda.gov Internet homepage: www.atoseoul.com

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E-mail: agseoul@usda.gov

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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)
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Attachments:

No Attachments