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Foreign Agricultural Service

GAIN Global Agricultural Information Network

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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:

In 2020, sales of the HRI food service sector reached 140 trillion KRW (122.2 billion USD), a decrease of 3.1 percent from 2019. The pandemic affected the sector harshly and most of its subsectors experienced decreases in sales. The government measures attempting to contain the spread of the virus and dropped traffic of domestic and international consumers damaged the sector's business performance. However, it is forecast to recover, though at a slow pace, as businesses are coming up with innovative strategies and consumer spending on dining out is on the gradual rise which will lead to growth of employment and sales in relevant industries.

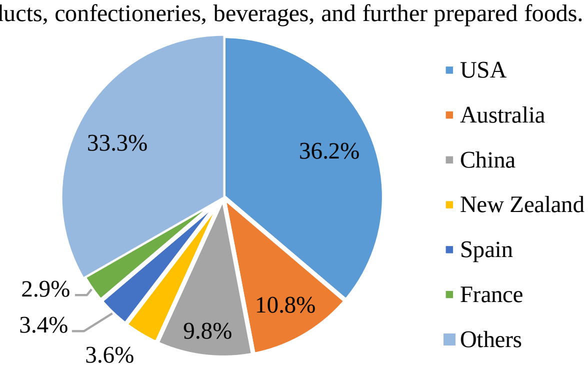
Market Fact Sheet: South Korea

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 United States 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)	6) Cheese and Curd ($685M)
2)Food Preparations ($2.2B)	7) Preserved Fruits, Nuts ($412M)
3)Pork ($1.7B)	8) Bakeries ($390M)
4)Alcoholic Bev ($1.3B)	9) Chocolates ($357M)
5)Coffee ($916M)	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 Food Service Industry	US$122.2 billion (2020)
- 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
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SECTION I. MARKET SUMMARY

Since the corona virus outbreak in early 2020, the HRI food service sector has gone through fluctuations in sales due to changing consumption trends derived mainly from preventive measures such as social distancing policies. The sector's sales[1] in 2020 (latest year available) totaled 140 trillion KRW (122.2 billion USD[2]), down 3.1 percent from 2019 and up 1.23 percent from 2018.

Monthly per capita spending[3] on HRI reached 137,502 KRW (120 USD) in 2021, up 6.8 percent from 2020 and down 0.65 percent from 2019. In 2021, dining-out accounted for 13 percent of total consumption expenditure of Korean household, and 43.9 percent of Korean household food and beverage expenditures, indicating a slight decline from pre-pandemic levels. Dining-out used to be about half (48 percent share in 2019) of the food and beverage expenditures of Korean households. Main reasons behind this decline include that people refrained from eating and gathering, and that restaurants and bars shortened business hours and shrunk accommodation capacity following the government measures to contain the virus.

Korea's HRI food service sector has been evolving, with changes in demographics and consumption trends. The rising income level and sophisticated tastes of Korean consumers have further advanced the foodservice sector. Another notable trend is demand for convenience. Korean consumers tend to prioritize convenience for meals due to busy lifestyles. The increasing proportion of one-person households is another reason why simple meal options such as meal kits and food deliveries are growing at a rapid pace. Such phenomena have been amplified during the pandemic as people spent a lot more time at home taking care of work duties and meals at the same time. While this trend is expected to drive growth of Korea's food and HRI food service sector in the long term, the sector currently faces challenges from the pandemic aftermath and rising food prices. Many businesses have reduced manpower and even permanently closed business due to financial problems. For instance, while the total number of people employed[4] in 2021 went up by 1.4 percent from the previous year, rebounding to the pre-covid level, the HRI and lodging sector has not recovered as much. The number of employed people in the HRI and lodging sector declined by 2.1 percent from 2020 and by 8.9 percent compared to 2019. The wholesale and retail sector also saw a decrease of 4.3 percent from 2020.

The HRI food service sector, however, is forecast to recover, though at a slow pace, as businesses are coming up with innovative strategies, and consumer spending on dining out is gradually increasing which will lead to employment and sales growth in relevant industries.

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[1] 2020 Economic Census, Korea National Statistical Service (http://kosis.kr)
[2] Calculated at an exchange rate of 1,145 KRW/1USD
[3] Household Expenditure Survey, Korea National Statistical Service (http://kosis.kr)
[4] 2021 Yearly Employment Report, Statistics Korea (www.kostat.go.kr)

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

Advantages	Challenges
Korean consumers' openness to new tastes, along with rising food consumption levels, creates demand for quality new-to-market products and international cuisines.	Price remains a main factor of purchasing decision, and U.S. products face competition with low-priced products sourced from countries such as China, Brazil the European Union.
Korea's heavy dependence on imports of food and agricultural products, coming from its limited production capacity, creates market opportunities for products sourced abroad.	Korean consumers are generally biased towards locally produced food and agricultural products, especially fresh produce, believing the quality and food safety are superior.
Korean consumers highly value food safety, and the U.S.' positive image as a trusted origin helps its products well positioned in the market.	Food imports face regulatory barriers. Food safety and labeling standards are frequently modified, and some regulations such as food additives rules differ between the United States and Korea.
KORUS FTA improves market access to Korea by eliminating large part of import barriers.	Korea is signing trade agreements with multiple partners which intensifies competition between the United States and export-oriented countries.

SECTION II. ROAD MAP FOR MARKET ENTRY

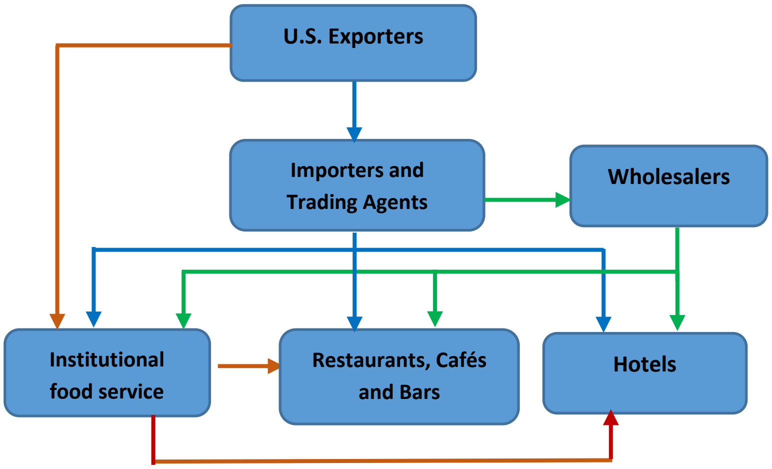
II-1. ENTRY STRATEGY

Business operators in Korea's HRI food service sector tend to source imported food supplies through independent importers or intermediary distributors. Some large-scale operators work on expansion of direct imports to lower costs and to improve product assortments; however, their focus in mostly on a few 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 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 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 food service sector is divided into three major subsectors based on the type of business and distribution channel: 1) hotels, 2) restaurants and bars, and 3) institutional food service.

Distribution: Wholesalers and intermediary distributors play an important role in the market, but it will gradually be streamlined as some large-scale restaurants and broadline foodservice distributors work on expansion of direct imports.

<u>Hotels</u>

Korea's hotel industry has undergone serious ups and downs over the last half decade, heavily affected by fluctuating volume of incoming travelers. The industry had continuously increased its room supply until 2016 to keep up with growing demand from foreign travelers. However, from late 2016, the hotel guestroom occupancy rate showed a decreasing trend with fewer travelers from China. The industry was recovering until the pandemic due to the diversification of countries from which visitors came. Upon that, the virus outbreak hit the hotel industry harshly. The dropping number of inbound travelers affected hotels, where over 60 percent of guestrooms had been consumed by foreigners before the pandemic. According to data from Korea Hotel Association, guestroom sales fell by 40.5 percent in 2020 from the previous year, and food and beverage sales decreased by 44.8 percent.

Hotels' food service business, especially of five and four-star hotels, has played a leading role in introducing new-to-market food products and cuisines to Korean consumers. Though the hotel industry currently faces virus-related challenges, it is expected to remain as an influential distribution channel for premium, high-quality imported food and beverage products in Korea.

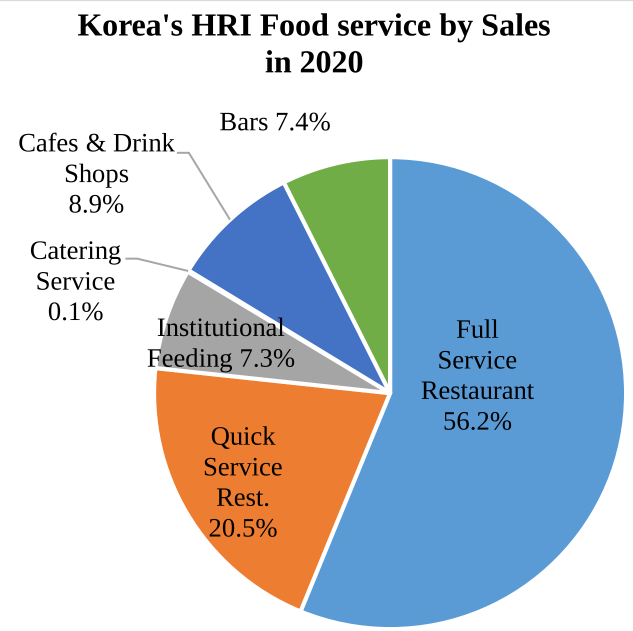
Table 2. Performance Details of Hotel Industry

	2019	2020	Growth Rate
Number of Hotels	601	702	16.81 %
Number of Guestroom Users	32,322,752	20,992,502	-35.05 %
Number of F&B Users	33,578,200	18,334,132	-45.40 %
Guestroom Sales (in million KRW)	2,005,575	1,194,075	-40.46 %
F&B Sales (in million KRW)	1,325,886	731,523	-44.83 %
Other Sales (in million KRW)	722,305	423,990	-41.30 %
Guestroom Occupancy Rate (%)	67.05	39.10	-27.95 %p

Source: Hotel Industry Operation Survey[5], Korea Hotel Association (http://www.hotelskorea.or.kr/)

Restaurants and Bars

In 2020, total HRI sales reached 140 trillion KRW (122.2 billion USD), a decrease of 3.1 percent from the previous year. The food service (HRI) sector was harshly affected by the pandemic and therefore most of its subsectors experienced decreases in sales in 2020. The government measures to mitigate the spread of the virus included early closing time of eateries and strict social distancing policies, both of which damaged performance of restaurants and bars. Despite their efforts to catch up with a boom in home-delivery, many have suffered and are still suffering from the pandemic.



Source: Korea National Statistical Service

The pandemic indeed accelerated expansion of food delivery services for grocery shopping and meals. According to KREI (Korea Rural Economic Institute), the number of eateries adopting delivery platforms such as apps and services are on the steep rise. Proportion of eateries using delivery apps increased from 7.6 percent in 2018 to 19.9 percent in 2020, and ones using delivery services increased from 5.4 percent in 2018 to 15.4 percent in 2020. Experts estimated that sales through delivery platforms have quadrupled over the last 2 years of the pandemic time. This must have offset overall sales decrease in HRI to a certain extent; however, while large-scale chained eateries utilized their already established delivery system relatively quickly, many small and medium sized eatery owners expressed concerns that delivery and service fees are overly high leaving little profit margin to the businesses.

[5] ATO Seoul's HRI food service report is regularly produced with key data from annual 'Service Industry Survey' conducted by Korea Statistics; however, due to changes in the data release schedule, this year's report utilizes data from other sources. For the hotel industry statistics, data from a survey conducted by 'Korea Hotel Association' was used.

In 2020, full-service restaurants, which accounted for 56.2 percent of the HRI food service sector, indicated a sales decrease of 4.7 percent. Catering service experienced the largest decrease of 25.5 percent in sales. Bars and institutional feeding restaurants marked 12.5 percent and 8 percent decreases of sales, respectively. Cafes performed relatively well with a decrease of 0.5 percent in sales. The only subsector that marked growth in sales was quick service restaurants, reporting an increase of 6.75 % in sales. View more tables for relevant industry details

Institutional Food Service

The institutional food service segment in Korea involves business providing food service at institutes such as schools, corporate cafeterias, manufacturing facilities, and hospitals.

Sales of this industry amounted to 9.7 trillion KRW (8.4 billion USD), accounting for 7.3 percent of total HRI sales in 2020. Businesses in the industry had typically been operated by large conglomerates and their subsidiaries until the Fair Trade Commission (FTC) and major nine conglomerates agreed in April 2021 to open the business to a wider pool of companies including small and medium-sized enterprises (SMEs) by easing bidding processes and relevant requirements. According to the FTC, the top five companies took up about 80 percent of the total sales of institutional foodservice at corporate cafeterias in 2019. The agreement in 2021 is expected to lower the entry barrier and to promote different scales of businesses to participate in institutional foodservice business. However, as in other food service industries, institutional food service also underwent depressed sales due to virus-induced environmental changes.

SECTION III. COMPETITION

The market outlook is excellent for U.S. agricultural products. Promising products include beef, pork, condiments and sauces, dairy products, nuts, fresh and processed fruits, processed vegetables, alcohol beverages, and edible offal. Ongoing trade liberalization, together with the KORUS FTA, will continue creating opportunities for various U.S. food and agricultural products to market in Korea.

ATO Seoul’s website provides up-to-date information on 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 United States and competitors in key products.

Table 3: 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[6]/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%)
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

[6] NESOI: Not Elsewhere Specified or Included

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Table 4. Fastest Growing Korean Imports of Consumer-Oriented Products[7]

Product Category/HS Code	Gross Imports 2021 ($ million)	Growth from 2020	Imports from United States ($ 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.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Post Contact

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

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

U.S. Animal Plant and Health Inspection Service Seoul (APHIS)
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USDA Cooperators, SRTG, State Offices and AMCHAM in Korea
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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)
Ministry of Foreign Affairs (MOFA)

Attachments:

No Attachments