Required Report: Required - Public Distribution **Date:** October 02, 2023

Report Number: KS2023-0016

Report Name: Food Service - Hotel Restaurant Institutional

Country: Korea - Republic of

Post: Seoul ATO

Report Category: Food Service - Hotel Restaurant Institutional

Prepared By: Joohyun Lee

Approved By: Lisa Allen

Report Highlights:

In 2021 (latest data available), sales of the HRI food service sector reached 150.76 trillion KRW (131.7 billion USD), an increase of 7.77 percent from 2020 and an increase of 4.41 percent from 2019. Coping with the pandemic, Korea's HRI food service sector has tried to adopt modern technologies and come up with strategies for safe and convenient dining experience to meet changing demand from consumers. Since pandemic related restrictions have been lifted and consumer demand for diverse food and dining options is increasing, it is expected that the HRI sector will show a constant growth though at a slow pace due to the sluggish local economy.

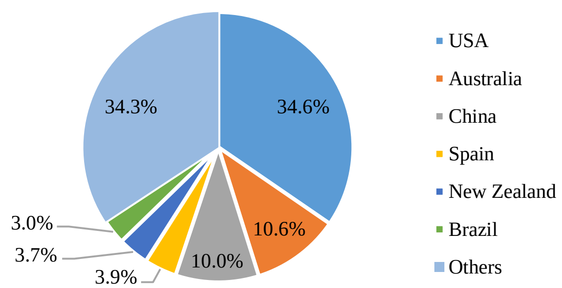
Market Fact Sheet: Korea- Republic of

Executive Summary

South Korea has the 10th largest economy in the world with a GDP of $1.8 trillion and a per capita GNI of $35,090 in 2022. It is about the size of Indiana and has a population of 51.6 million. Over 80 percent of Koreans live in urban areas. Domestic production meets only 46 percent of food demand. The United States exported $10.1 billion in agricultural and related products to Korea in 2022, making it our fifth largest country export market. The United States supplies a quarter of Korea's agricultural imports.

Imports of Consumer-Oriented Products

Korea imported $19.3 billion in consumer-oriented products in 2022, accounting for 38.4 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 31,300 food processing companies as of 2021, generating $63.3 billion in sales. Korean food processing companies rely heavily on imported commodities and ingredients. Imports of basic and intermediate agricultural products totaled $20.9 billion in 2022. 17 percent ($3.6 billion) of which came from the United States.

Food Retail Industry

Korean retail food sales totaled $131 billion in 2022, accounting for 27 percent of total retail sales. Grocery supermarkets are the leading food retail channel, followed by on-line retailers, hypermarket discount stores, convenience stores, 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 2022

Imports of Ag. Products from the World

- Basic Products — US$8.8 billion
- Intermediate Products — US$12.2 billion
- Consumer-Oriented Products — US$19.3 billion
- Forest Products — US$3.5 billion
- Seafood Products — US$6.5 billion
- Total — US$50.2 billion

Top 10 Consumer-Oriented Ag. Imports from the World

1) Beef $4.2B
2) Food Preparations $2.3B
3) Pork $2.0B
4) Alcoholic Bev. $935M
5) Cheese and Curd $800M
6) Preserved Fruits, Nuts $453M
7) Poultry Meat $452M
8) Bakeries $419M
9) Preserved Vegetables $389M
10) Chocolates $363M

Top 10 Growth Consumer-Oriented Ag. Imports

Vegetables under HS0703, alcoholic beverages, lamb, butter, mineral waters, beef, processed fruits & nuts, coffee

Food Industry by Channels

- Retail Food Industry — US$130.9 billion (2022)
- HRI Foodservice Industry — US$131.7 billion (2021)
- Food Processing Industry — US$69.1 billion (2021)
- Food & Agricultural Exports — US$11.2 billion (2022)

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 (2022)

Population: 51.6 million
GDP: US$ 1.8 trillion
GDP per capita: US$ 35,090

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 new 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 - High inflation

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 Seoul (atoseoul@usda.gov)

SECTION I. MARKET SUMMARY

The Hotel, Restaurant, and Institutional (HRI) food service sector has shown signs of recovery after going through sales fluctuations during the pandemic. In 2021 (latest data available), sales[1] of the HRI food service sector reached 150.76 trillion KRW (131.7 billion USD[2]), up 7.77 percent from 2020 and up 4.41 percent from 2019. Official statistics for more recent years are not available yet, but it is predicted that the sales figures have reached close to the pre-pandemic level as most eateries have fully reopened and consumer traffic has been on the rise.

In 2022, Koreans' monthly per capita spending[3] on HRI reached 162,345 KRW (141.83 USD), up 18.07 percent from 2021 and up 26.10 percent from 2020. 14.33 percent of total consumption expenditure of Korean households was spent on dining-out, which accounted for nearly half of their food and beverage expenditures (48.15 percent in 2022, up 4.25 percentage points from 2021) indicating that people started dining out again and engaging in social gatherings over meals as social distancing restrictions were lifted. In 2022, the total number of people employed across all industries went up by 2.99 percent from the previous year[4]. The HRI sector also showed an increase of 4.00 percent compared to 2021, but it is still lower by 5.25 percent compared to the number in 2019 and the sector has been experiencing staff shortages.

The pandemic has shaped the HRI sector and consumer behaviors in a variety of ways. The staff shortages and social distancing restrictions forced eateries to leverage modern technologies by adopting online order and delivery system and by installing self-order kiosks and server robots at their premises. As for consumer behavior, the pandemic fortified Korean consumers' already-heightened awareness of safety and health aspects when choosing foods and dining options. The combined effect of this trend and Korean consumers' general preference towards convenience and speed, coming from a busy lifestyle and the increasing number of small-scale households, has driven demand for contactless interaction in order, pick-up and delivery, and for diverse options of HMR (Home Meal Replacement) and RMR (Restaurant Meal Replacement) across the sector.

With the shift to "post-pandemic" life and increasing consumer demand for diverse food and dining options, it is expected that the HRI sector will show a constant growth down the road, though at a slow pace due to an overall sluggish local economy.

[1] Major Statistics of Food Industry, Korea National Statistical Service (http://kosis.kr)
[2] Calculated at an exchange rate of 1,144.61 KRW/USD
[3] Household Expenditure Survey, Korea National Statistical Service (http://kosis.kr)
[4] 2022 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.	U.S. products face competition with low-priced products sourced from export-oriented countries, and price remains as a main factor for Korean consumers' purchasing decision with a sluggish domestic economy.
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 is mostly on a few of high-volume products such as fresh fruit, meat, and seafood. For contact listings of Korean import distributors and retail store buyers, please contact the U.S. Agricultural Trade Office (ATO) Seoul. ATO Seoul offers trade facilitation assistances to U.S. suppliers interested in exporting to Korea and conducts various marketing activities. ATO Seoul also organizes U.S. pavilions at major food-focused trade shows in Korea, where U.S. companies can effectively showcase their products and meet with potential Koren partners. The trade shows ATO Seoul organizes U.S. pavilions include Seoul Food and Hotel Show, Korea International Beer Expo (KIBEX), and Busan International Seafood and Fishery Expo.

U.S. companies may find additional information and guidance on exporting to Korea at following reports and websites:

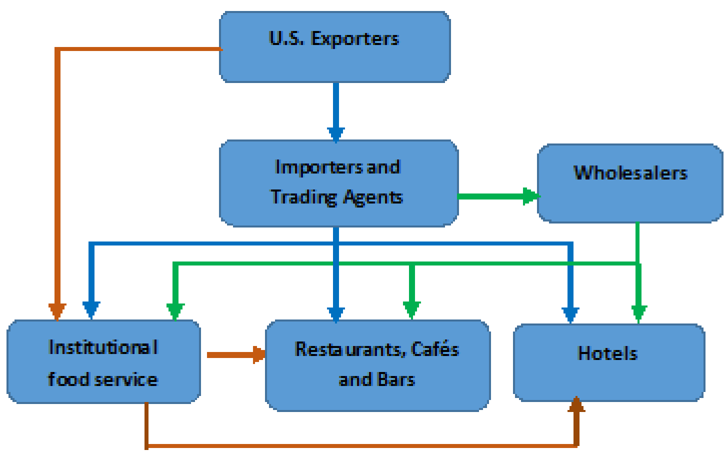
- Korea FAIRS Report and Export Certificate Report provide Korean government regulations and standards on imported food and agricultural products.
- Korea Exporter Guide provides market entry guidance for U.S. suppliers.

- The ATO Seoul website provides useful information including product briefs, food news clippings, KORUS FTA, and links to other resources and organizations in Korea.
- Doing Business in Korea published by the U.S. Commercial Service is another useful source of information about exporting to Korea.

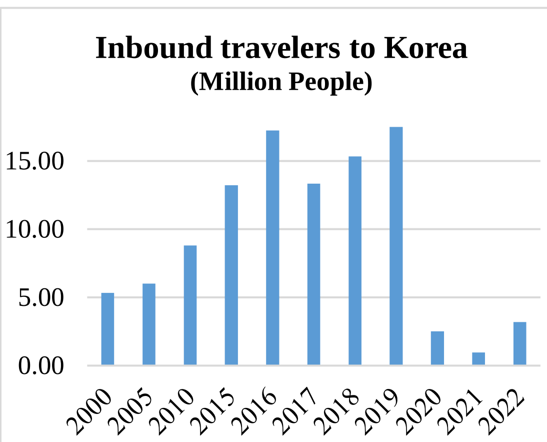
II-2. MARKET STRUCTURE AND DISTRIBUTION

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 a key role in the market though it's also observed that some large-scale restaurants and foodservice distributors work on expansion of direct imports and distribution.



Hotels



Source: Korea Tourism Statistics

Korea's hotel industry has undergone serious ups and downs over the last half decade, heavily affected by a fluctuating volume of inbound travelers. The industry had worked on increasing its room supply until 2016 to keep up with growing demand from foreign travelers. However, in late 2016, the hotel guestroom occupancy rate dropped with much fewer travelers from China. As the industry began to show signs of recovery with diversification of countries from which visitors came, it faced another crisis of the virus outbreak which significantly dropped the number of inbound travelers. In 2022, 3.2 million visitors came to Korea, which was an increase of 230.71 percent compared to 2021, yet it is down by 81.73 percent compared to 2019.

Hotel has traditionally been a leading venue which showcases upscale and sophisticated menus to customers via their food and beverage services, and other players within the food service industry tend to use the new style and food ingredients introduced by hotels as a benchmark. This role of hotel was threatened during the pandemic as the overall hotel business was at risk, however, the industry managed to overcome the adversity by bringing in local travelers and by developing new strategies to attract customers to their food and beverage services.

According to data from the Korea Hotel Association (see Table 2), in 2021, guestroom sales went up by 54.82 percent compared to the previous year and by 0.55 percent from 2019. The number of customers and sales for food and beverage services went up as well by 31.32 percent and by 51.51 percent respectively.

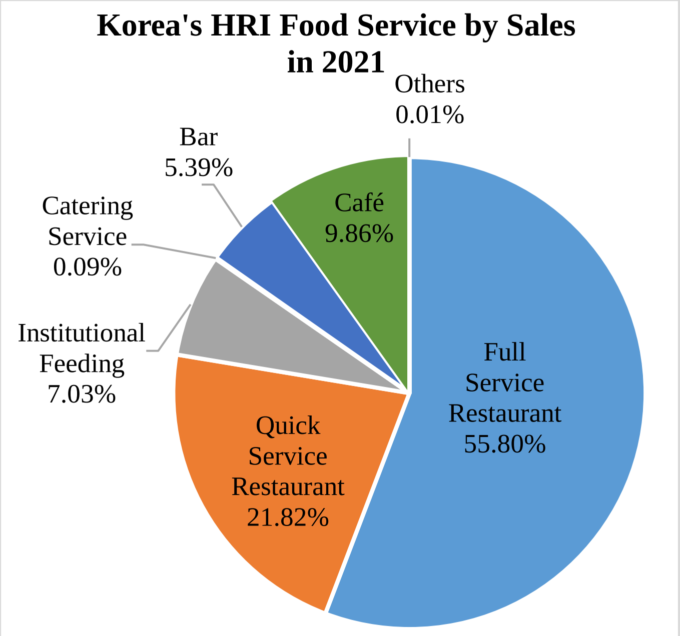
Table 2. Performance Details of Hotel Industry

	2019	2020	2021	2020-2021 Growth Rate
Number of hotels	601	702	1025	46.01%
Number of guestroom users	32,322,752	20,992,502	32,501,382	54.82%
Number of F&B users	33,578,200	18,334,132	24,076,796	31.32%
Guestroom sales (in million KRW)	2,005,575	1,194,075	2,078,158	74.04%
F&B sales (in million KRW)	1,325,886	731,523	1,108,359	51.51%
Other sales (in million KRW)	722,305	423,990	380,156	-10.34%
Guestroom occupancy rate (%)	67.05	39.1	45.35	6.25 percentage points
Foreigner guestroom users' rate (%)	27.62	10.82	4.96	-5.86 percentage points

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

Restaurants and Bars

In 2021 (latest data available), total sales of the HRI food service sector reached 150.76 trillion KRW (131.7 billion USD), up 7.77 percent from 2020 and up 4.41 percent from 2019. Official statistics for more recent years are not available yet, but it is predicted that the sales figures have reached close to the pre-pandemic level as most eateries are fully back in business and consumer traffic is picking up.



Source: Korea National Statistical Service

In 2021, full-service restaurants, accounting for 55.80 percent of the HRI food service sector, demonstrated a sales increase of 7.01 percent compared to the previous year. Quick service restaurant, accounting for 21.82 percent of the sector, indicated an increase of 14.72 percent, and café and non-alcohol beverage shops, accounting for 9.86 percent, showed the strongest growth of 19.93 percent compared to 2020. Institutional feeding and catering service grew by 9.61 percent and by 2.26 percent respectively. The only sub-sector that recorded a sales decrease was bars, down by 21.79 percent in 2021 compared to the previous year. It is interpreted that people still used restaurants for dining-in or for takeaways and used cafes for quick stays but did not stay at bars as much in the evening due in part to the early closure mandate during the pandemic. More tables for relevant industry details are available in the attachment to this report.

The HRI sector in Korea is mostly composed of small-scale independent eateries with some large-scale chain restaurants operated by conglomerates, which increases the vulnerability of the sector against market crises such as the pandemic. With the sector's low entry barrier, business entities come into the HRI sector relatively easily, but also go bankrupt more frequently than other sectors. According to a document[5] released by the Ministry of Agriculture, Food and Rural Affairs (MAFRA), 84.6 percent of business entities in the sector are small-scale ones, with average annual sales of below one billion KRW (873.7 thousand USD) and with four or fewer number of fulltime staff per store.

Institutional Food Service

The institutional food service in Korea involves business providing food service at institutes such as schools, corporate cafeterias, manufacturing facilities, and hospitals. Sales of this segment amounted to 10.6 trillion KRW (9.26 billion USD), up 7.03 percent from 2021, and accounted for 9.61 percent of total HRI sales in 2021. Businesses in the sector had typically been operated by large conglomerates and their subsidiaries until an agreement between the Korea Fair Trade Commission (KFTC) and major nine conglomerates in 2021 to open the sector to a wider pool of companies including small and medium-sized enterprises (SMEs) by easing bidding processes and relevant requirements. According to KFTC, the top five companies took up about 80 percent of the total sales of institutional foodservice at corporate cafeterias in 2019. The 2021 agreement was expected to promote diversification of businesses in the institutional foodservice, however, as in other food service sectors, the institutional food service was also faced with sales decreases during the pandemic. Demand in the sector is predicted to grow back but at a rather slow pace with the increasing number of companies implementing intermittent telework for employees.

SECTION III. COMPETITION

Korea provides excellent business opportunities for U.S. agricultural products, many of which are already enjoying leading positions in the Korean market (see Table 3). In 2022, on a value basis, the United States was the largest supplier for frozen and chilled beef, food preparations, cheese and curd, chocolate, and food preparations, and was either second or third largest supplier for items such as chilled pork, wine, spirits, coffee, preserved fruits and nuts, poultry meat and offal, and pastry among others. Ongoing trade liberalization, together with the United States-Korea Free Trade Agreement (KORUS FTA), will continue creating opportunities for many more 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.

[5] The 3rd innovation plan (2022-2026) for the dining-out industry in Korea, by MAFRA in July 2022.

Table 3: Top Korean Imports of Consumer-Oriented Products and Competition[6]

Product Category/HS Code	Gross Imports '22 ($ million)	1st Supplier (Market Share)	2nd Supplier (Market Share)	U.S. Ranking
Beef, Frozen/HS0202	2,866	U.S. (57%)	Australia (31%)	1 (57%)
Food Preparations NESOI[7]/HS2106	2,350	U.S. (51%)	Germany (12%)	1 (51%)
Pork, Fresh, Chilled or Frozen/HS0203	2,034	Spain (26%)	U.S. (25%)	2 (25%)
Beef, Fresh or Chilled/HS0201	1,372	U.S. (65%)	Australia (34%)	1 (65%)
Coffee/HS0901	1,305	Brazil (18%)	Colombia (15%)	3 (12%)
Cheese and Curd/HS0406	793	U.S. (43%)	N.Z. (15%)	1 (43%)
Wine/HS2204	581	France (35%)	U.S. (18%)	2 (18%)
Other Preserved Fruits & Nuts/HS2008	454	China (28%)	Vietnam (20%)	3 (17%)
Poultry Meat & Offals/HS0207	453	Brazil (86%)	Thailand (10%)	3 (2%)
Bread, Pastry, Cakes/HS1905	419	Malaysia (17%)	China (16%)	3 (15%)
Alcohols greater than 80%/HS2207	419	U.S. (62%)	Brazil (32%)	1 (62%)
Other Vegetables, Not Frozen/HS2005	389	China (77%)	Thailand (9%)	3 (5%)
Chocolate & Food Preparations/HS1806	363	U.S. (24%)	Belgium (10%)	1 (24%)
Spirits, Liqueurs, Alcohol less than 80%/HS2208	354	U.K. (66%)	U.S. (8%)	2 (8%)

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

U.S. products are well positioned in Korea across all product categories – ingredients, bulk commodities, and finished products. One fourth of agricultural and food products imported by Korea in 2022, worth 10.1 billion USD, came from the United States. Imported products seeing strong growth in 2022 include potatoes, poultry meats, spirits, soup and broths, coffee, butter, mineral water, processed vegetables, and frozen beef.

Table 4. Fastest Growing Korean Imports of Consumer-Oriented Products[8]

Product Category/HS Code	Gross Imports '22 ($ thousand)	Growth from '21	Imports from U.S. ($ thousand)	U.S. Growth
Onions, Shallots, Garlic, Leeks, etc./HS0703	60,590	75%	0	n/a
Potatoes/HS0701	30,932	74%	18,263	123%
Poultry Meats/HS0207	452,865	66%	8,079	172%
Spirits, Liqueurs, Alcohol less than 80%/HS2208	354,173	48%	27,888	106%
Soups & Broths/HS2104	21,541	47%	4,512	40%
Lamb, Mutton, Goat, Chilled or Frozen/HS0204	272,651	45%	0	n/a
Coffee/HS0901	1,304,872	42%	159,228	42%
Butter/HS0405	202,202	40%	32,356	157%
Mineral Water/HS2201	75,463	36%	196	85%
Other Vegetables, Prepared/Frozen/HS2004	239,155	35%	140,614	19%
Alcohols Greater Than 80%/HS2207	419,110	35%	261,117	40%
Frozen Beef/HS0202	2,866,496	34%	1,642,385	43%
Fruits & Nuts, Processed/HS0811	163,322	25%	33,827	7%

---

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

[7] NESOI: Not Elsewhere Specified or Included

[8] 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)
Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea
Telephone: +82-2 6951-6848 Fax: +82-2 720-7921
E-mail: atoseoul@usda.gov Website: www.atoseoul.com

Agricultural Affairs Office, U.S. Embassy Seoul (AAO)
Korean Address: U.S. Embassy, 188 Sejong-daero, Jongro-gu, Seoul, Korea
Telephone: +82-2 397-4297 Fax: +82-2 738-7147
E-mail: agseoul@usda.gov Website: https://kr.usembassy.gov/agricultural-affairs

U.S. Animal Plant and Health Inspection Service Seoul (APHIS)
Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea
Telephone: +82-2 725-5495 Fax: +82-2 725-5496
E-mail: yunhee.kim@usda.gov Website: www.aphis.usda.gov

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:

Additional tables for Korea HRI Food Service sector_2023.pdf