Required Report: Required - Public Distribution **Date:** May 03, 2024

Report Number: KS2024-0015

Report Name: Food Processing Ingredients Annual

Country: Korea - Republic of

Post: Seoul ATO

Report Category: Food Processing Ingredients

Prepared By: Hye Rim Chun and Gi Hyun Shin

Approved By: Lisa Allen

Report Highlights:

Korea's food processing industry relies heavily on imports to fulfill its food and agricultural needs in order to manufacture a wide variety of food and beverage products. Given this demand, there is ample opportunity for imported agricultural products for processing use including bulk commodities such as wheat, intermediate ingredients such as fruit juice concentrates, and many other products, such as flavors and coloring agents. In 2022, the food processing industry generated over 81 trillion Korean Won (approximately $63.3 billion) in sales.

MARKET FACT SHEET: SOUTH KOREA

Executive Summary

South Korea has the 13th largest economy in the world with a GDP of $1.71 trillion and a per capita GNI of $33,127 in 2023. 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 $8.8 billion in agricultural products to Korea in 2023, making it our fifth largest export market. The U.S. supplies a quarter of Korea's agricultural imports.

Consumer-Oriented Agricultural Imports

In 2023, Korea imported consumer-oriented agricultural products totaling around $20.1 billion. 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.

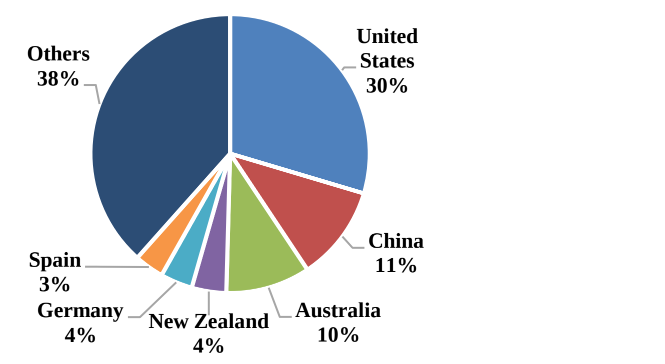


Chart 1: Top Exporting Countries to South Korea

Food Retail Industry

Korean retail food sales totaled $137 billion in 2023, accounting for 31 percent of total retail sales (excluding automobiles). Grocery supermarkets were the leading food retail channel, followed by on-line retailers, hypermarket discount stores, convenience stores, and department stores. Recent years, e-commerce only companies have taken leadership of the Korean food retail market from large offline-based distributors. Out of the total online sales of Korea in 2023, food related online sales including food, agricultural products, and food delivery services became the largest category sold online occupying about 30 percent.

Food Processing Industry

In 2022, Korea had over 31,470 food processing companies, which generated $63.3 billion in sales. Korean food processing companies rely heavily on imported commodities and ingredients. Imports of basic and intermediate agricultural products totaled $18.2 billion in 2023. Fifteen percent ($2.7 billion) of these imports came from the United States.

Food Service Industry

The HRI sector in Korea reached $137 billion in 2022, a 17.5% increase from the previous year. However, moderate growth is expected in the coming years due to consumers' low confidence in Korea's economic situation.

Quick Facts CY 2023

Imports of Ag. Products from the World

- Bulk Products	US$8.2 billion
- Intermediate Products	US$9.2 billion
- Consumer-Oriented Products	US$20.1 billion
- Forest Products	US$3.1 billion
- Seafood Products	US$6.1 billion
- Total	US$46.7 billion

Top 10 Consumer-Oriented Ag. Imports from the World

1) Beef $3.8B	6) Fresh Fruit $1.2B
2) Soup & Food Prep $2.2B	7) Bakery, Cereals, Pasta $0.86B
3) Pork $2.0B	8) Poultry Meat $0.71B
4) Dairy $2.0B	9) Wine $0.56B
5) Processed Veg. $1.5B	10) Processed Fruit $0.51B

Top 10 Growth Consumer-Oriented Ag. Imports

Poultry meat, Meat products, Coffee (roasted & extracts), Distilled spirits, Non-alcoholic beverages, Chewing gum & Candy, Dairy, Tea, Processed Vegetables, Bakery goods, Cereals & Pasta

Food Industry by Channels

- Retail Food Industry	US$136.9 billion (2023)
- HRI Foodservice Industry	US$131.7 billion (2022)
- Food Processing Industry	US$63.3 billion (2022)
- Food & Agricultural Exports	US$11.5 billion (2023)

Top Korean Retailers

Coupang LLC, Shinsegae Co Ltd (EMART, Ebay Korea, Shinsegae Department Store), Naver Corp, Lotte Group, GS Holdings Corp, Hyundai Department Store, SK Telecom Co Ltd, BGF Retail Co Ltd, Alphabet Inc, Wemakeprice Inc

GDP/Population (2023)

Population: 51.6 million
GDP: US$ 1.71 trillion
GDP per capita: US$ 33,127

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

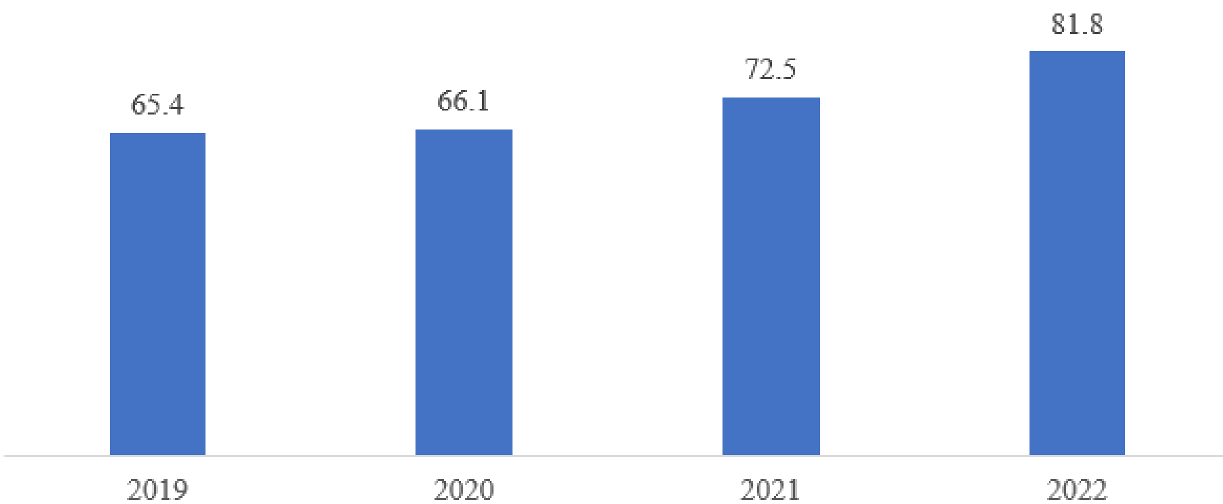
Data and Information Sources: Korea Ministry of Food & Drug Safety, Korea National Statistics Office, Korea Int'l Trade Association, Global Trade Atlas, CIA Factbook, Euromonitor International, Trade Data Monitor. To the greatest extent possible, the latest available statistics are used in this publication.

Contact: U.S. Agricultural Trade Office Seoul (atoseoul@usda.gov)

SECTION I. MARKET SUMMARY

Korea relies heavily on imports to fulfill its food and agricultural needs. The Korean food processing sector is the major user of imported agricultural products for processing use, including soybeans, wheat, vegetable oils, fruit juice concentrate, and food additives such as flavors, coloring agents, and preservatives. The Korean food processing industry generated 81.8 trillion Korean Won (KRW), approximately $63.3 billion, in sales in 2022.[1] The industry grew at a compound annual growth rate (CAGR) of 7.75 percent from 2019-22.

Figure 1. Annual Sales of Korean Food Processing Industry (2019-22, Trillion KRW)



Source: Korea Ministry of Food & Drug Safety (MFDS)

Despite challenges from competitors, the United States is expected to remain the leading supplier of food and agricultural products to Korea for years to come, not only for commodities and intermediate products, but also for consumer-oriented products. The United States accounted for 23.6 percent of total Korean imports of food and agricultural products in 2023.

Table 1. Advantages and Challenges for U.S. Food Products

Advantages	Challenges
▪ Continued tariff reductions under KORUS FTA will make U.S. products more competitive with other foreign suppliers.	▪ Imports of many products still face restrictive trade barriers. Some food additives that are approved in the United States are not approved in Korea.
▪ Korean consumers are becoming more affluent and health conscious, causing more consumers to focus on quality over price.	▪ Consumers are still concerned about issues such as biotechnology and BSE. Outbreaks of animal diseases such as Avian influenza restrict trade.
▪ U.S. food is perceived as equal or superior quality relative to competitors.	▪ Imported products are subject to complicated labeling and food safety standards in Korea. Rules change frequently with limited lead time.
▪ Local supply of agricultural products is limited.	▪ Korea has complicated inspection/customs clearance procedures.

[1] The report uses an average exchange rate of 1 USD = KRW 1291.95 for the year 2022.

SECTION II. ROAD MAP FOR MARKET ENTRY

1. Entry Strategy and Import Procedure

The following provide guidance on how to export to Korea:

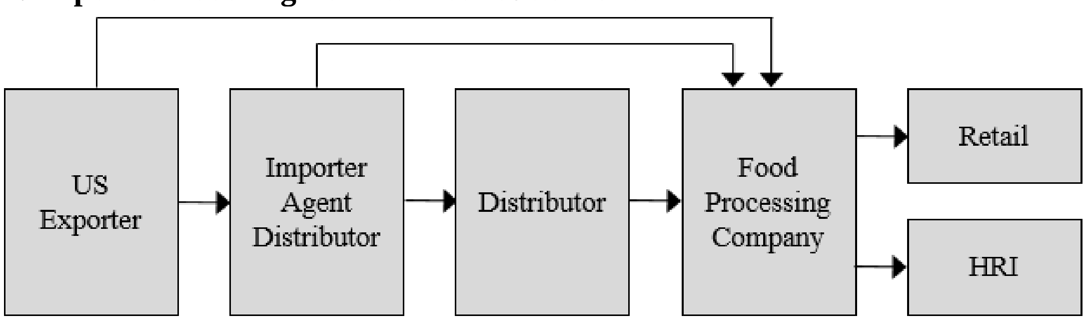
- Korea FAIRS Report provides Korean government regulations and standards on imported food and agricultural products.
- Korea Exporter Guide provides market entry guidance for U.S. suppliers.
- ATO Seoul Website provides information about the Korean market, including product briefs, food news clippings, KORUS FTA, and links to other resources and organizations.
- Korea Country Commercial Guide published by the U.S. Commercial Service is another good source of information about exporting to Korea.'

The Agricultural Trade Office (ATO) maintains a list of potential importers, but it is highly recommended to visit Korea and meet with potential buyers in-person. Several of the State and Regional Trade Groups (SRTGs) hold trade missions to Korea and are a good opportunity to see the market. Additionally, ATO hosts a U.S. Pavilion at the Seoul Food and Hotel show, typically at the end of May or early June, and participating in the show is an efficient way to connect with local buyers.

2. Distribution Channels and Market Structure

Large food processing companies prefer to source directly from overseas suppliers as they can reduce costs. However, they tend to purchase from local importers, agents, or distributors when the quantities they require are small. Below is an overview of the typical distribution channel for imported food ingredients from U.S. exporters to Korean food processors.

Figure 2. Imported Food Ingredients Distribution Channel



Source: ATO Seoul Analysis

3. Share of Major Segments in the Food Processing Industry

Table 2. Breakdown of Food Processing Industry by Product Category (2019-22)

	Product Category	Annual Sales[2] (Billion USD)[3]				CAGR (2019-22)
		2019	2020	2021	2022	
1	Livestock products	16.7	20.6	13.8	31.0	22.9%
2	Confectionaries, breads, rice cakes	5.8	6.0	6.4	6.7	4.9%
3	Seasonings, Sauces, Spices	4.8	5.0	5.8	5.5	4.6%
4	Beverages	4.5	4.4	4.9	5.0	3.6%
5	Alcoholic Beverages	4.9	4.7	4.5	4.7	-1.4%
6	Coffee & Tea	3.4	3.4	4.0	3.8	3.8%
7	Noodles	2.9	2.8	3.5	3.8	9.4%
8	Health Functional Foods	2.5	2.8	3.3	3.2	8.6%
9	Fat & Oil	1.9	1.8	2.5	2.8	1.4%
10	Food Additives	2.0	1.7	2.2	2.4	6.3%
11	Kimchi & Pickles	1.9	2.0	2.2	2.1	3.4%
12	Sugars, Syrups, Jams	1.6	1.5	2.0	2.0	7.7%
13	Other Processed Foods	8.5	5.1	10.3	2.0	-38.3%
14	Seafood products	1.7	1.7	1.7	1.7	-1.0%
15	Chocolates and Cacao products	0.9	0.8	0.8	0.8	-3.9%
16	Tofu & Acorn Jelly	0.6	0.7	0.8	0.8	10.1%
17	Special Dietary Foods	0.5	0.5	0.4	0.2	-26.3%

Source: MFDS

4. Company Profiles & Products

Annual sales of Korea's top 20 food processing companies totaled more than $26.1 billion in 2022. The list of top 10 companies can be found below.

Table 3. 2022 Top 10 Food Processing Companies (Billion USD)

	Company	Main Products	Annual Sales
1	CJ Cheil Jedang Corporation	Flour, noodles, ready-to-serve food, snacks	2.86
2	Lotte Chilsung Beverage Co., Ltd.	Beverages	2.15
3	Nongshim Co., Ltd.	Instant noodles, snacks, beverages	1.67
4	Ottogi Co, Ltd.	Curry, instant noodle, frozen food	1.60
5	Hite Jinro Co., Ltd	Alcoholic beverage	1.53
6	Oriental Brewery Co., Ltd.	Beer	1.23
7	Daesang Corporation	Sauces, instant noodles, ready-to-serve foods	1.05
8	Dong Suh Food Co., Ltd.	Coffee, creamer, cereal	1.03
9	Samyang Corporation	Sugar, flour, oils, and bakery mix	0.92
10	The Coca-Cola Company	Beverages	0.79

Source: MFDS

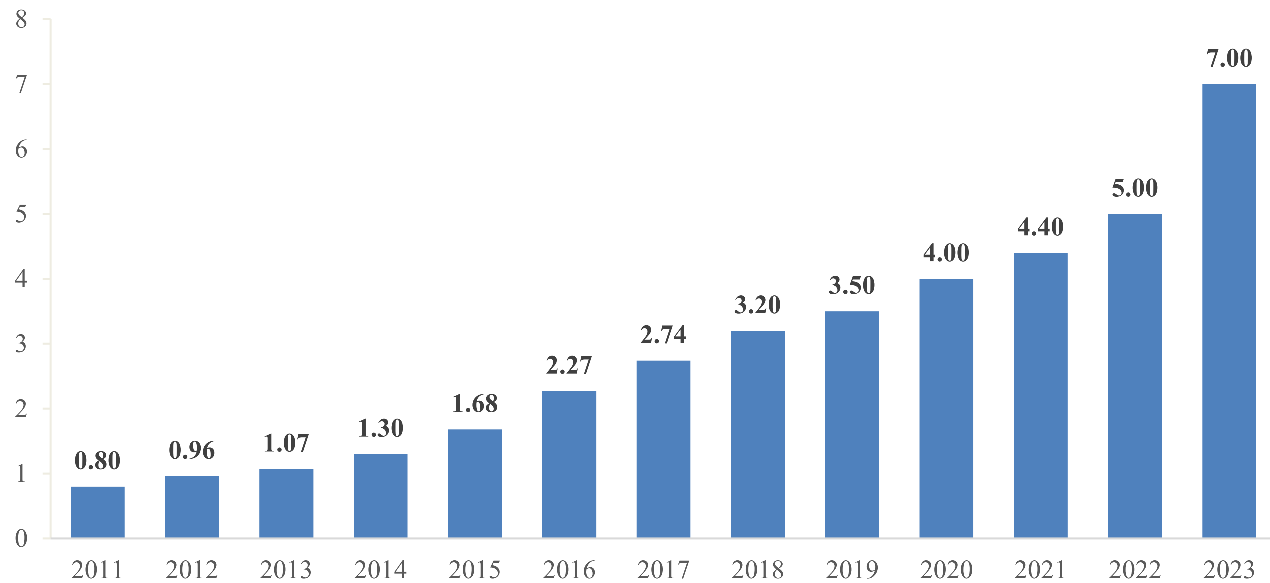
[2] Annual sales = shipment amount (domestic sales) + export amount
[3] Values have been converted to U.S. dollars using average exchange rates for each year (2019-22)

5. Sector Trends

The Korean market reflects global food trends. The rise in single-person households and the increase in women's participation in the workforce are influencing food purchasing patterns. Consumers want convenient and good value food products that suit their lifestyle. At the same time, consumers continue to seek healthier and higher quality food options.

The Home Meal Replacement (HMR) market has been growing since 2010. The HMR market surpassed 7 trillion KRW in 2023, more than doubled the size of the market in 2017 and is forecast to expand by 6.6% by 2030.[4] Until recently HMRs were viewed as simple packaged products consumed by single-person households with busy lifestyles. Single-person households accounted for 34.5 percent of total households in 2022 and are expected to continuously rise ever year.[5] Small portion HMR products have seen rapid growth due to this trend.

Figure 3. Annual Sales of HMR (Trillion KRW)



Source: Korea Agro-Fisheries & Food Trade Corporation

Moreover, as eating at home became a major trend during COVID-19, demand for HMRs, meal kits, sauces and seasonings have increased. Many thought the people would go back to dining out when social distancing regulations phase out. However, in 2022, due to global food crisis and inflation, domestic food price has increased by more than 25% compared to that of pre-COVID. As a result, households continue to eat at home to save spendings on food.

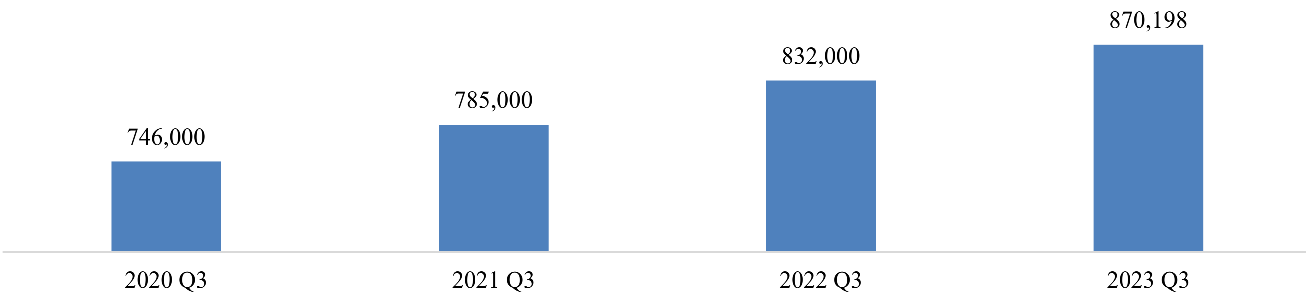
---

[4] https://www.atfis.or.kr/home/board/FB0028.do?act=read&subSkinYn=N&bpoId=4735&bcaId=0&pageIndex=1
[5] https://kostat.go.kr/board.es?mid=a10301010000&bid=10820&act=view&list_no=422143

Although individual consumption has shown signs of recovery after the pandemic, it slowed down significantly last year and is expected to be slow in 2024 once again. According to the 2024 National Consumption Expenditure Plan Survey conducted by Korea Economic Association in December 2023, 52.3% responded that they plan to reduce their spending, and that they would first reduce spending on dining out and traveling. As this trend continues, food processors are developing healthier and more high-quality HMR products to attract single-member households looking for complete meals that require minimal preparation for their convenience.

According to 2024 Food and Restaurant Industry Outlook, "Health & Wellness" was selected as the keyword for this year's food industry trend. This trend can not only be seen in the HMR market but also can be found in the low-calorie, high-protein, high-fiber movement, zero-sugar movement in noodle, snack, and beverage market.

Figure 4. Monthly spending on food per household (KRW)



Source: Statistics Korea, Korea Rural Economic Institute

Air fryers have become commonplace in Korean households in the last few years. This trend led food processors to manufacture more frozen HMRs. Many of these products are air-fryer-only products or have instructions on how to cook with an air fryer. Consumers view air fryers as a healthier and more convenient way to prepare food. They can also be used to cook food that is crispy outside and moist inside, resulting in a better texture than HMRs cooked using a microwave.

Although Korean consumers prefer price competitive products, health considerations are equally, if not more, important. In 2023, Korea had 9.4 million people aged 65 and over, 18.2 percent of the total population. The elderly population is expected to increase to 24.4 percent of total population in 2030. With the increase in both life expectancy and concerns regarding the rapidly aging population, demand for nutritious products is increasing. Additionally, since the pandemic, as more people have started working out at home, demand for healthier HMR products has risen. As a result, several new products that enhance the quantity of protein, vitamins and minerals while reducing the number of calories and fat have significantly increased. These nutritionally balanced products target the elderly and those who maintain high levels of exercise.

The health trend can be also found in the beverage market. Sales of fruit juice with high sugar content have been decreasing while low sugar content products such as mineral water, sparkling water and tea are increasing in popularity. The drinking water market is estimated to have reached $2.3 trillion in 2023 and is expected to grow even further. The sparkling water market has been growing rapidly as well. Manufacturers entered the market with new flavors such as lemon, lime and grapefruit, and retailers launched more affordable private brand products. Zero-sugar beverage products that share similar flavor profiles as original products have been growing in popularity as well as protein drinks in the ready-to-drink (RTD) beverage market, especially among men in their 20s and 30s who care for their health. This trend can also be seen in the packaged soup market where previously, product varieties were limited to common home-style soup menus, but now manufacturers are focusing more on healthy soups that are traditionally consumed on special occasions.

While the frequency of consumption of alcoholic beverages is decreasing, the combination of hard liquor, oak flavor and soda has been on the rise. As the imports of various distilled liquors such as Kaoliang liquor and tequila are increasing, so has the mid- to low-priced whiskey struck by the interest in highballs. Highballs are especially sought-after among women in their 20s and 30s triggering the sales of RTD highballs purchases at convenience stores. Additionally, the mixology trend of using distilled liquor with carbonated beverages has led an oak barrel-aged, distilled soju to be perceived as a premium product.

Since the pandemic, the restaurant meal replacement (RMR) industry in Korea has been witnessing significant expansion in distribution channels, offering a wide range of options including local, gourmet and Michelin Guide-selected upscale restaurants. Due to the increasing demand for reasonably priced meals amid economic downturns, the convenience of enjoying signature dishes from famous restaurants at home has been sought out. Convenience store chains such as CU and GS25 are actively collaborating with renowned restaurants to launch RMR products, with CU introducing options from the original army stew restaurant 'Ondeng Sikdang,' surpassing 500,000 sales within a month of launch. 7-Eleven alone has released around 30 RMR products in collaboration with various gourmet restaurants, experiencing higher sales growth rates compared to regular HMR products, particularly among customers in their twenties and thirties. Emart is also offering home party meal kits, catering to customers' needs for accessible yet delicious meals for gatherings. Additionally, hypermarkets like Homeplus launched new products in collaboration with 100 franchise brands and famous gourmet brands, increasing their food sales by 15% compared to last year. The RMR industry is continuously providing more diverse and convenient meal options for customers across all age groups.

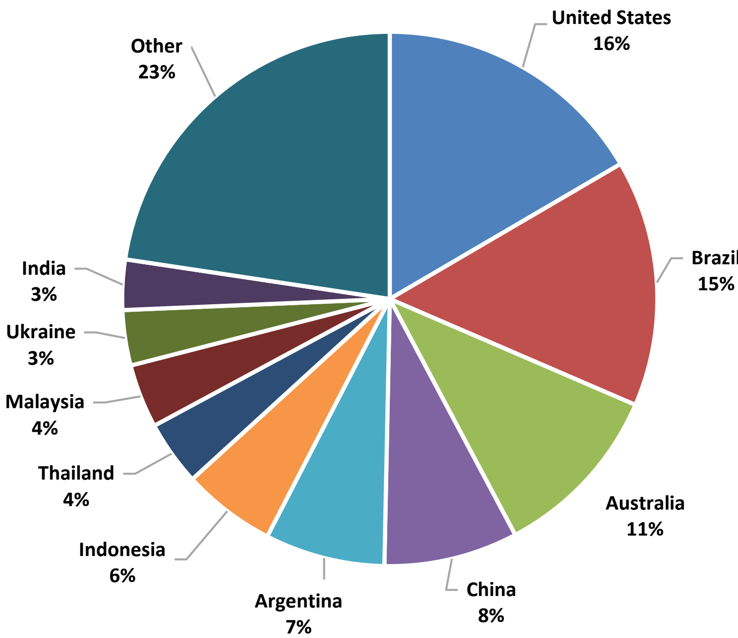
Recently, the vegan sector has been growing as well. In 2023, the Korean vegan and vegetarian population reached over 2.6 million, up 73% since 2008. In contrast to the past when there were only soy protein products available, now there are many new vegetable protein products available. The market is still small, but food processors are trying to expand the business in the vegetarian sector as they consider environment and sustainability issues are becoming more important. Major food processing companies have launched their own vegetarian product brands, are investing more on research and development, and are opening vegetarian restaurants. To match the growing global demand, pasta made from soybeans has been released and is expected to grow to $2.4 billion by 2025. In Korea, soybeans and tofu noodles have been launched as alternative noodle products and are attracting much attention.

SECTION III. COMPETITION

Despite South Korea's efforts to increase domestic production, due to multiple environmental constraints such as mountainous terrain and limited arable land, South Korea still heavily relies on agricultural imports to meet its demand. They import a wide range of agricultural commodities from their key trading partners that include the United States, Australia, and Brazil.

The United States remains as the leading supplier in several agricultural products such as beef, pork, corn, wheat, and soybeans, among many others. However, in recent years, even within these markets, the United States still faces stiff competition from many other countries as shown in the table below. Especially within the wheat and meslin market as well as the bovine market, Australia has become highly competitive and continues to reach record exports both to South Korea and globally. Additionally, Brazil's soybean imports have rapidly increased with a five-year compound annual growth rate (CAGR) of 68.1%, underscoring the competitive nature of the current agricultural environment.

Figure 5. Foreign Suppliers of Bulk and Intermediate Products in 2023 (by value)



Source: Trade Data Monitor

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

1. Products present in the market which have good sales potential

U.S. products in general have a good image among Korean consumers and U.S. products have a high market share. Some of the products that are present in the market and still have good sales potential are beef, pork, dairy, soybeans, and snacks. Due to the high quality of U.S. beef and Korean cuisine heavily incorporating it, beef has been consistently popular among consumers. In 2023, Korea imported $3.6 billion of beef globally, 58.7% being from the United States, making it the top supplier of beef to Korea. For more detailed data with HS code, please refer to the Appendix.

2. Products with low presence in market but which have good sales potential

The Korean food market is saturated, making it difficult to find products with low presence but that have good sales potential. However, due to the growing prioritization of health and wellness, U.S. exporters may target this market by exporting products that have diverse health benefits. Additionally, sustainable food as well as vegetarian or vegan options could be a promising opportunity with around 2,500,000 people being vegetarian and over a third of the population interested in vegetarian cuisine, according to the Korean Vegan Union (KVU). Although it is essential to research local market trends, consumer preferences and regulatory requirements to effectively enter the market.

3. Products not present because they face significant barriers

Imports of some U.S. products are restricted due to regulatory and phytosanitary issues. For example, several types of fresh fruits and vegetables, such as apples and pears, are still awaiting approval by Korean authorities. Although now there are stricter safety measures set in place and increased transparency in the inspection and labeling of U.S. livestock products, outbreaks of animal diseases and outdated concerns related to BSE can continue to restrict imports of related livestock products. Finally, despite the Korea-U.S. free trade agreement, some products continue to face high tariff barriers in the Korean market.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Agricultural Trade Office Seoul (ATO)	atoseoul@fas.usda.gov
Agricultural Affairs Office Seoul (AAO)	agseoul@fas.usda.gov
Plant and Health Inspection Service Seoul (APHIS)	yunhee.kim@aphis.usda.gov

Please refer to the Korea Exporter Guide *for contact information for USDA cooperators, state offices, and industry organizations that offer export assistance.* ATO Seoul's website *provides up-to-date information about Korea's food and agricultural imports, including:*

- Korea's Agricultural Import Statistics: This spreadsheet, updated monthly, provides a summary of Korea's agricultural imports at the 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.

Attachments: FPI Report - Appendix - Market Opportunities Table.pdf