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# The Korean Market 'North Asia's Hidden Gem'

# Agriculture Outlook Forum

## February 21, 2013

Michael G. Francom  
Foreign Agricultural Service



# Overview

- Economic
- Political
- Demographics
- Market structure
- Consumer trends
- Export opportunities

# The Rise of the Korean Economy

- Export-focused economic transformation (1960's-today)
- Exports account for half of country's GDP (\$1.6 trillion)
- Household brands: LG, Samsung, KIA, and Hyundai
- FTA focus over last decade
  - ✓ Implemented: US, EU, Chile, Peru, etc.
  - ✓ Under negotiation: Canada, Mexico, China, Japan, Australia, New Zealand, etc.

# Emerging Economic Powerhouse

- Hosted 2010 G20 Summit
- 13<sup>th</sup> largest economy: \$1.6 trillion [US - \$15.7 trillion]
- 2013-14 GDP real growth rate: 2.8% and 3.8%
- Per capita income: \$32,400 [US - \$49,800]
- 1988 Summer Olympics / 2018 Winter Olympics
- World leaders: Ban Ki Moon, UN Secretary General  
Jim Yong Kim, World Bank President

# Political Landscape

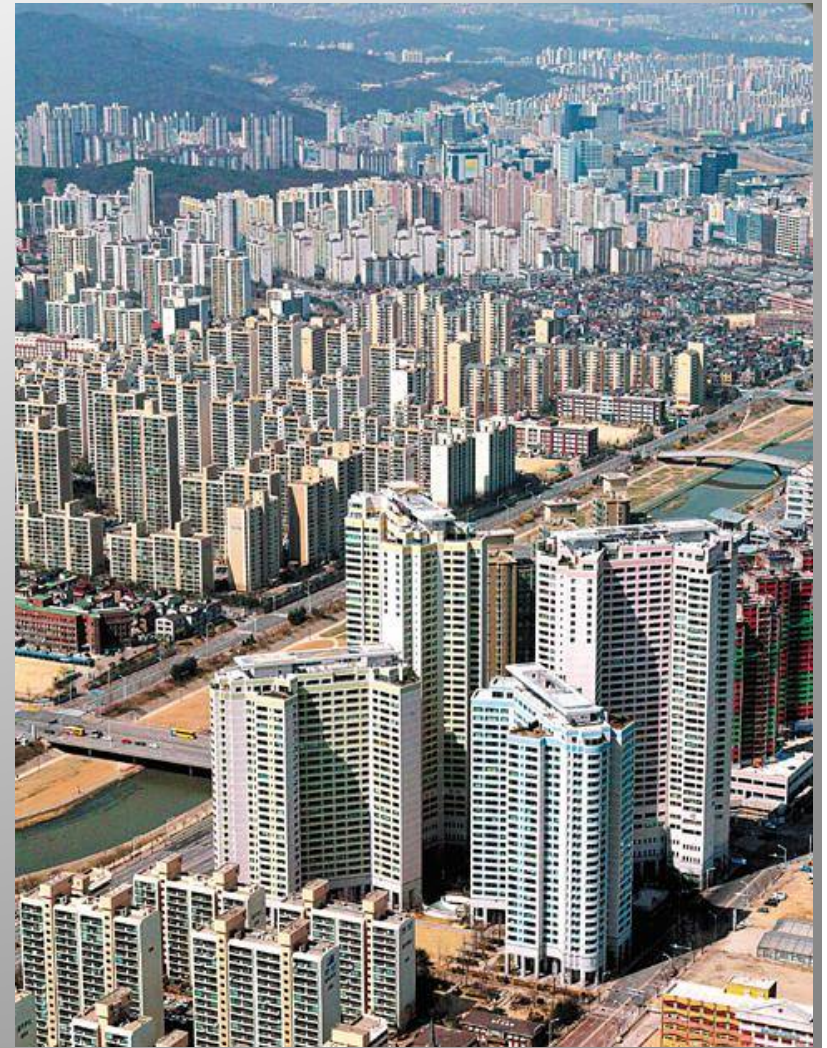
- President Park, Guen-He assumes office on February, 25
- Park administration taking shape
- Proposed restructuring of Ministries
- DPRK





# Demographics

- ~50 million people
- Top 10 most densely populated countries
- Population growth rate declining
- Aging society: 5.4 m 65yrs+
- Heavy focus on education
- Tech-oriented population





# Market Structure – New Vs Old



## Where is food sold?

- Traditional – 24% (declining)
- Supermarkets – 34%
- Hypermarkets – 29%
- Dept. Stores – 4%
- On-line – 4% (growing rapidly)

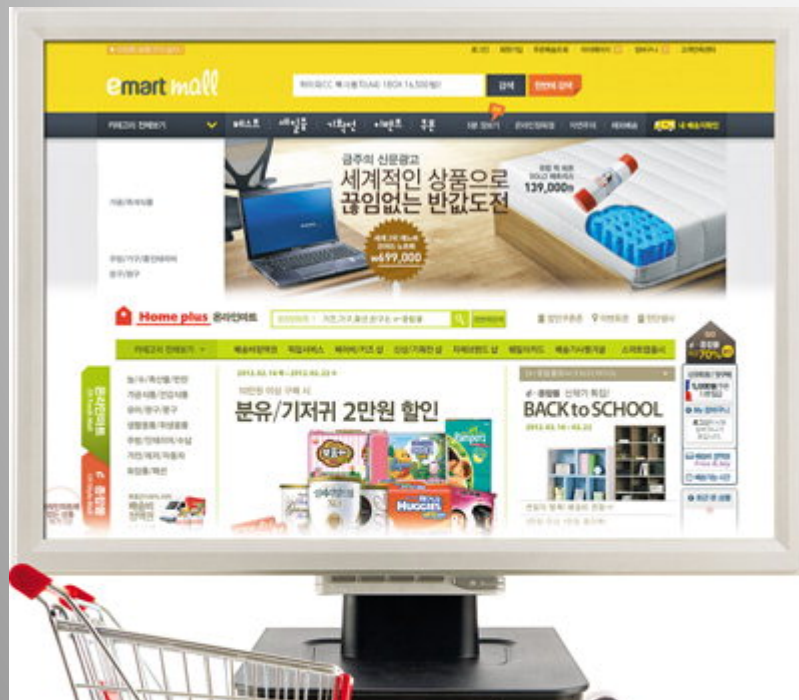




# Costco Model a Huge Success



# Technology Redefining the Marketplace





# Shopping on the Go!



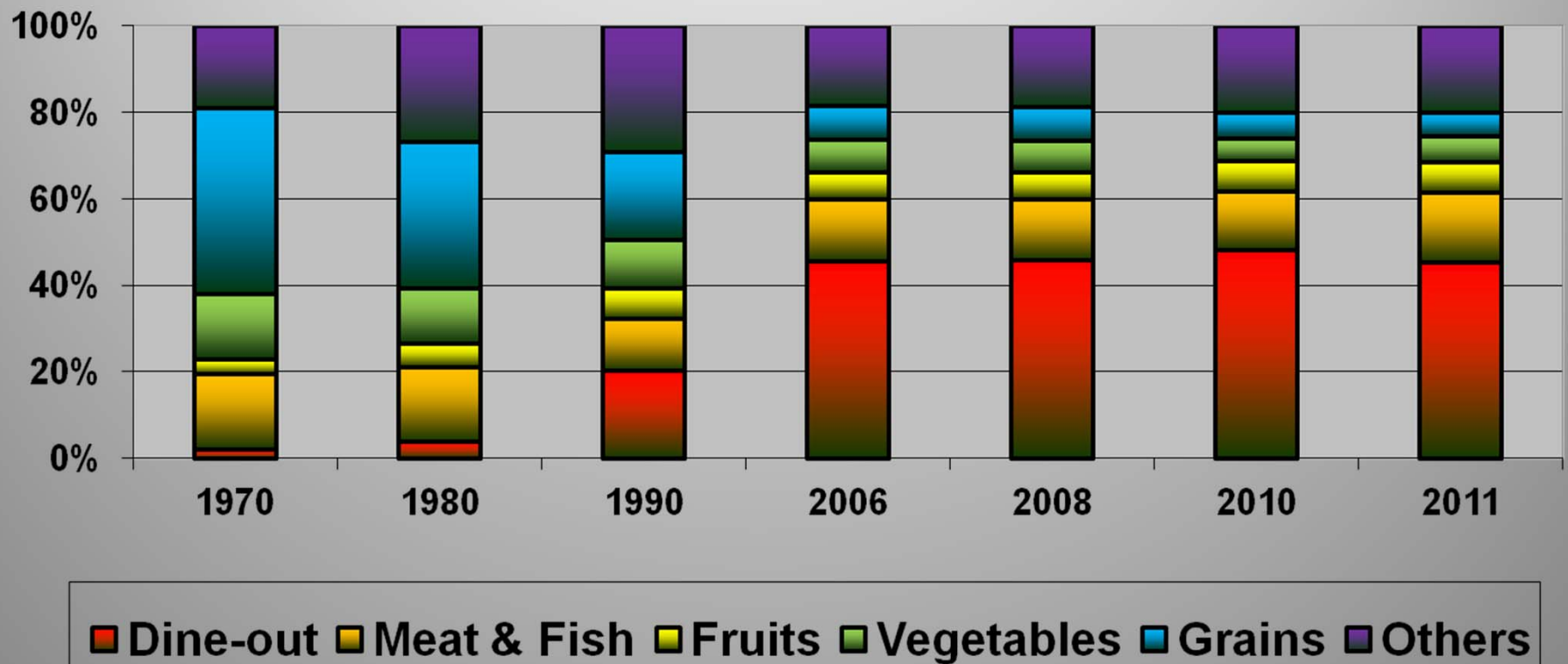
# Sophisticated Korean Consumers

- Health conscious – diet, exercise, hiking, marathon
- Food safety is a top priority
- Origin critical factor in making food purchases (US vs PRC)
  - ✓ Gov't mandated traceability for local and imported food
- Functional, organic and natural foods are popular
- Rising demand for int'l foods > more western restaurants
- Dining out accounts for roughly half of food expenditures



# Diversified Tastes

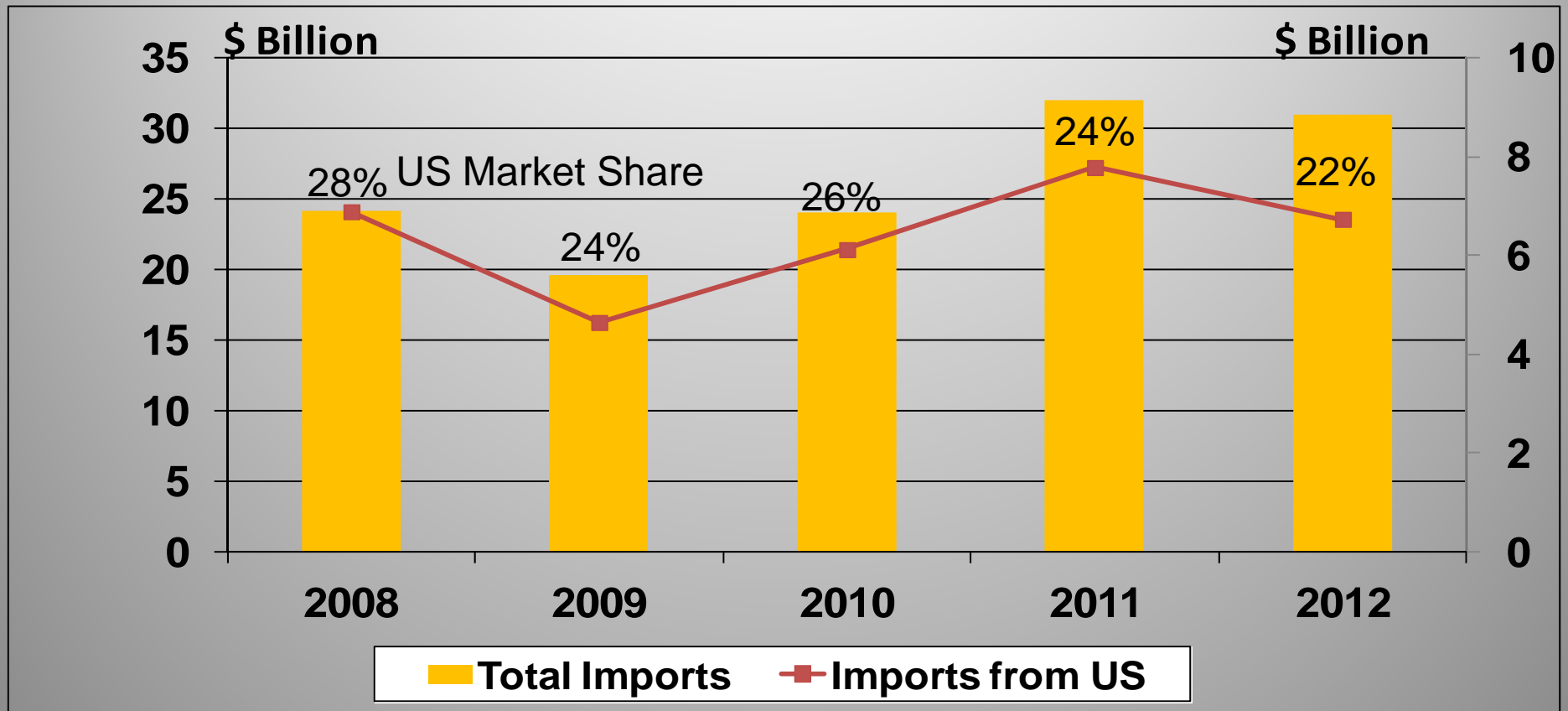
## Composition of Household Food Expenditure



# Market Opportunities

- Heavy dependence on imported agricultural products.
- Korea imported \$31 billion worth of ag imports in 2012.
- US #1 supplier with 22% (\$6.6 billion) market share. China 13%, EU 8% and Brazil 7%.
- Top 5 U.S. imports: rough grains (corn), hides and skins, wheat, red meat, feeds and fodder (alfalfa and grass hay).
- Hot prospects: **fresh fruit, tree nuts, dairy products**, fruit and vegetable juices, snack foods, other consumer-oriented products, etc.

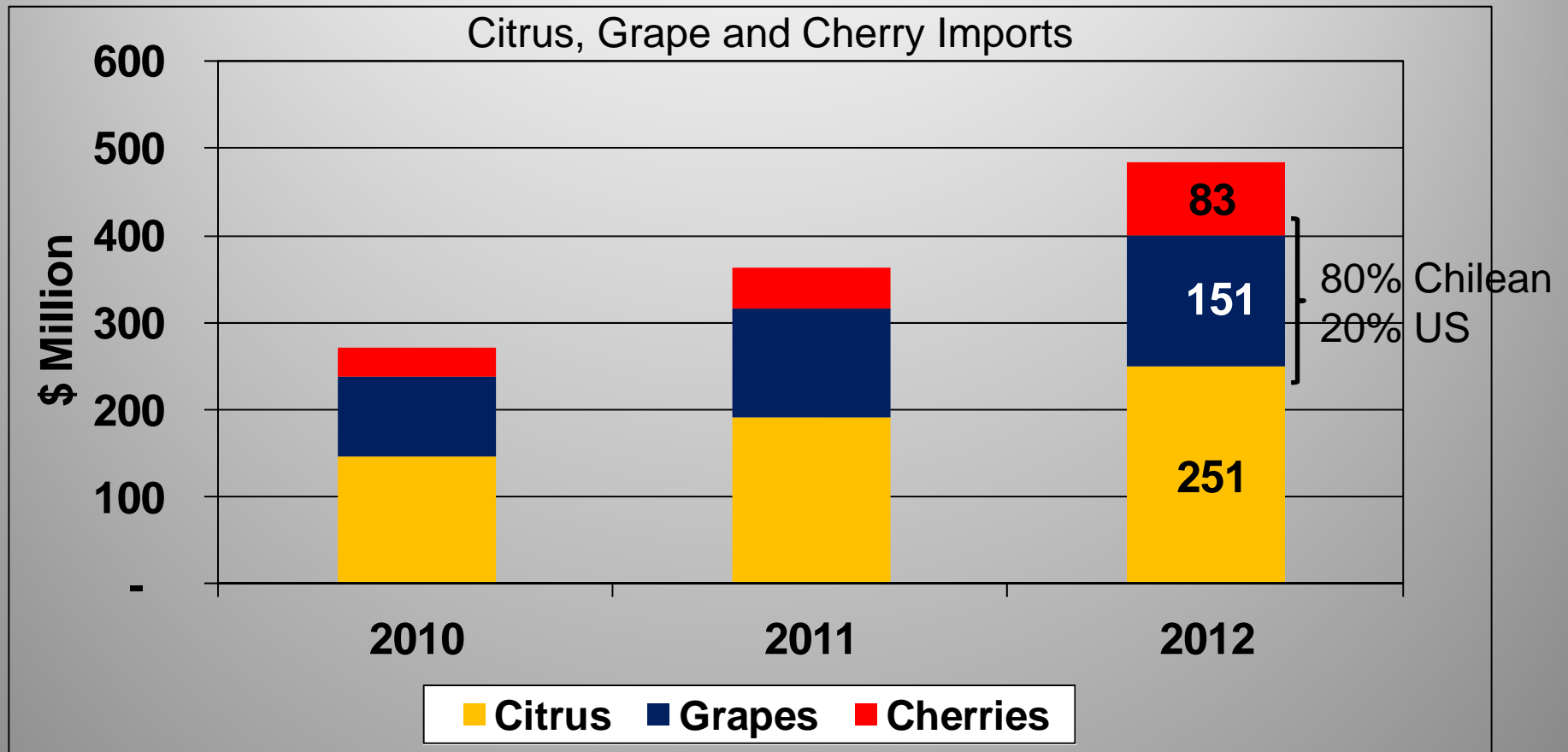
# Korea Ag, Fish & Forestry Imports



Composition of 2012 Imports:

Bulk - 30%   **Consumer Oriented - 30%**   Intermediate - 20%  
Forest Products - 8%   Seafood - 11%

# US Major Fresh Fruit Supplier



- Lemons: 30% base >> 0% as of this year.
- Oranges: 2,575 MT seasonal (Sep-Feb) TRQ. Mar-Aug duty is 25%.
- Grapefruit: 30% base phased out over 5 yrs; current duty 18%. Duty free by 2016.
- Cherries: 24% base rate >> 0% Grapes: out of season 18%; in season 39.8%.

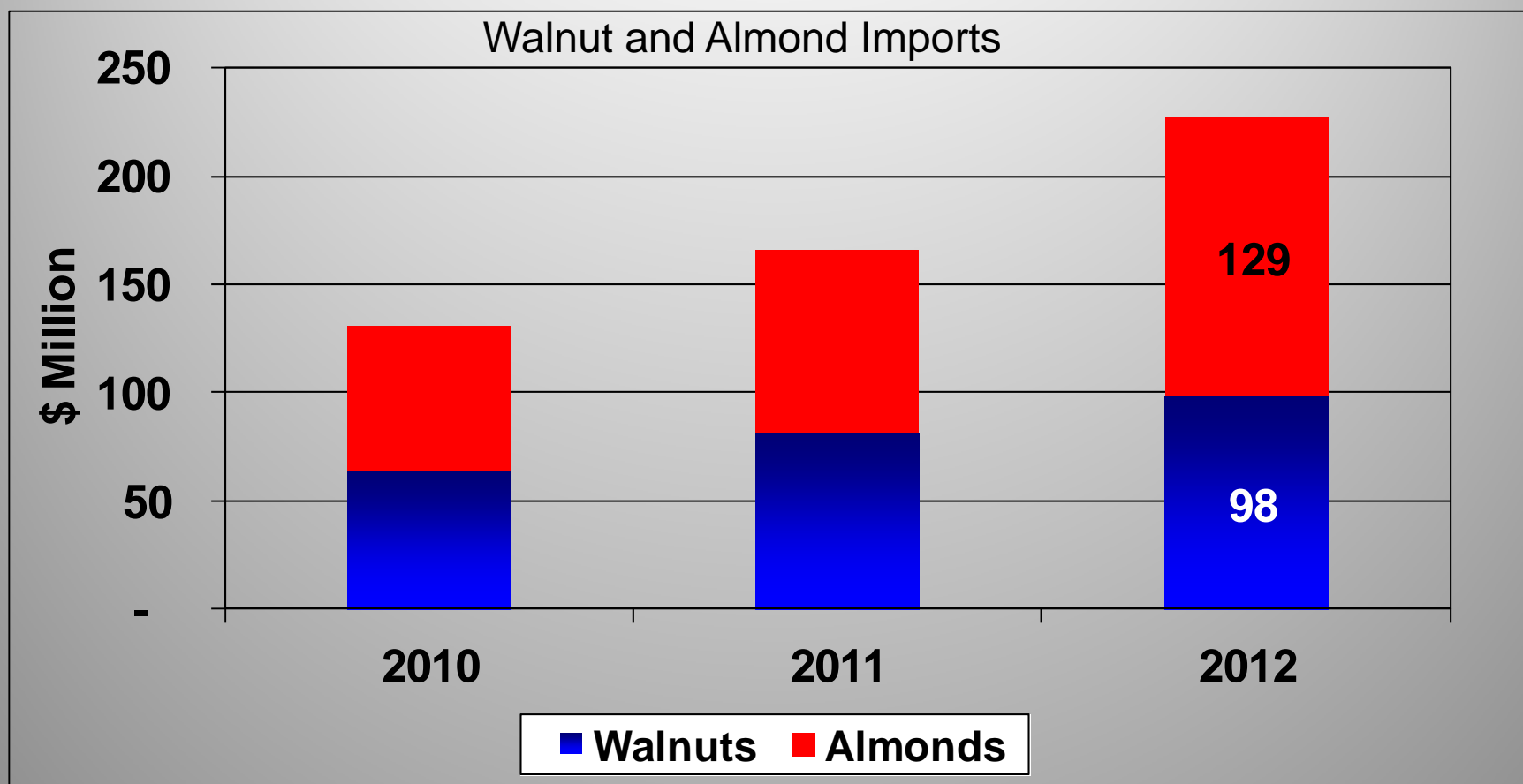


# Blueberry Fever



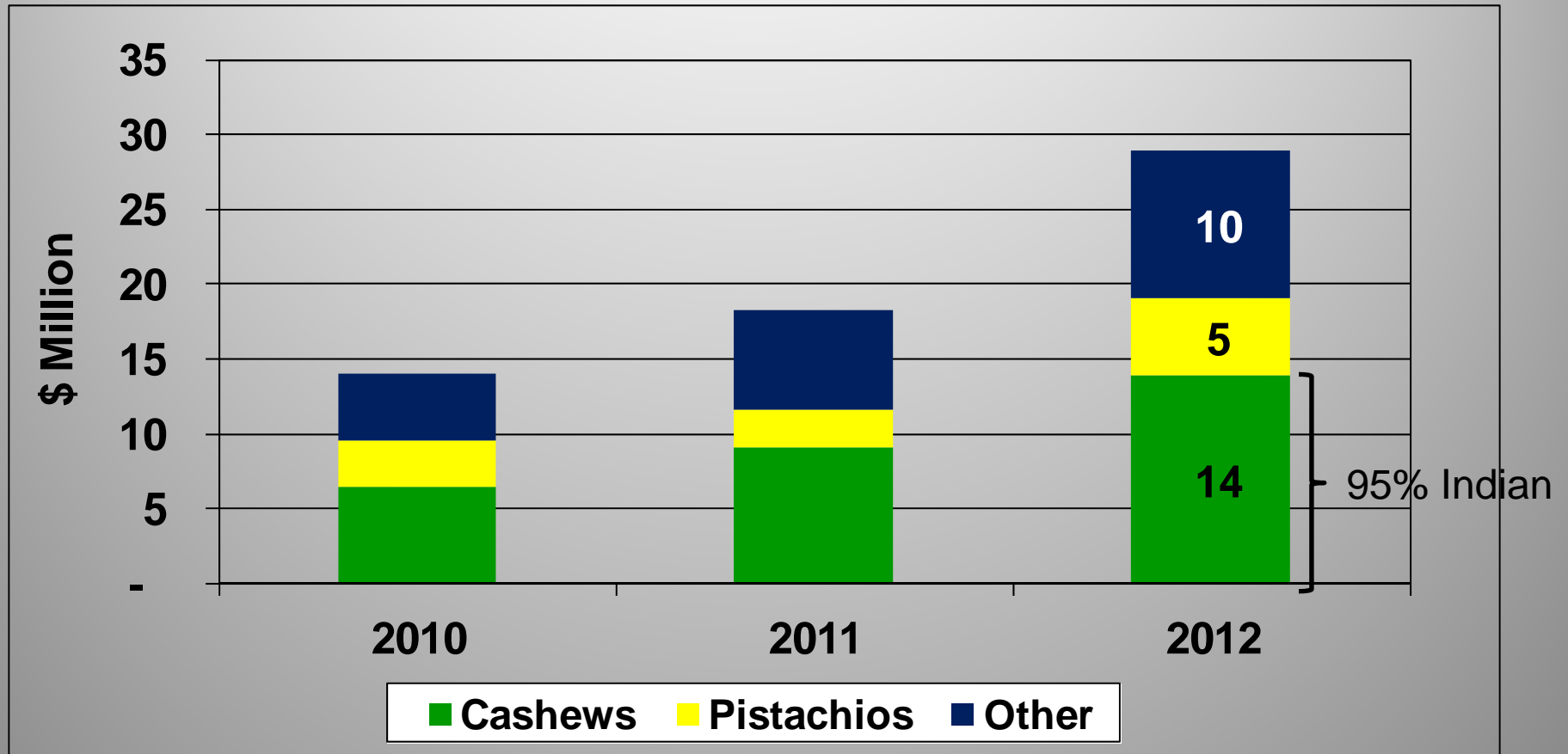
# 90% of Imported Nuts: Almonds & Walnuts

## Nearly all U.S. Origin



- Almonds shelled/in-shell: 8% base >> 0% duty.
- Walnuts in-shell: 45% base phased out over 15 yrs; current duty is 39%. Duty free '26.
- Walnuts shelled: 30% base phased out over 6 yrs; current duty is 20%. Duty free '17.

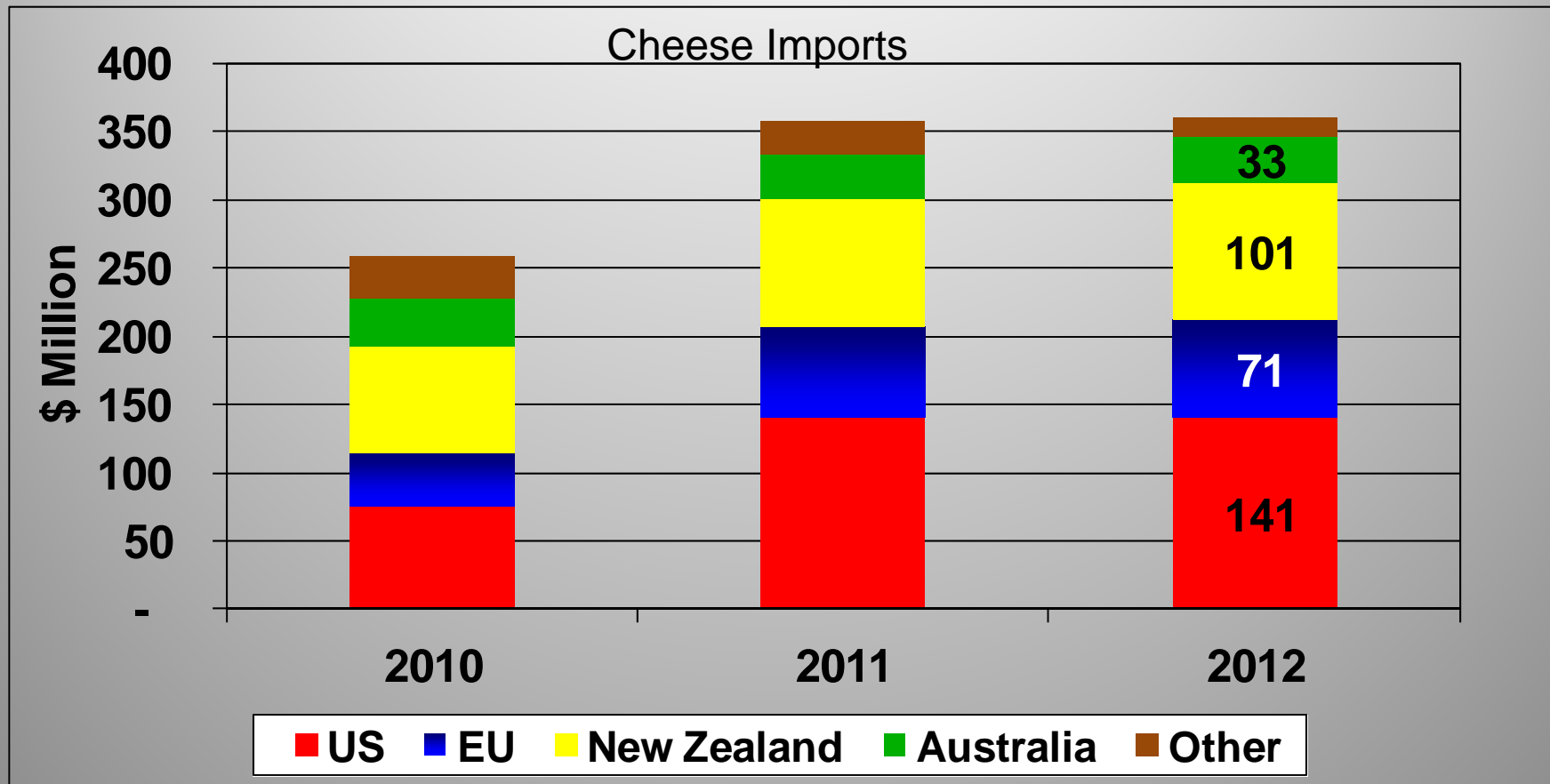
# Other 'Nutty' Opportunities



- Cashews shelled/in shell: 8% base >> 0% duty
- Pistachios: 30% base >> 0% duty
- Pecans: 30% base phased out over 7 yrs; current duty is 21%. Duty free in 2018.
- Macadamia: 30% base phased out over 7 yrs; current duty is 21%. Duty free in 2018.

# US Leading Cheese Supplier

## Half of US Cheese Imports is Mozzarella



- CY13 cheese TRQ: 7,210 MT.
- Cheese tariffs range from 29-31% with gradual phase outs.
- All U.S. cheeses will enter duty free by 2026.





# Pizza Time







For more info visit: [www.seoulfoodnhotel.co.kr](http://www.seoulfoodnhotel.co.kr)

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