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Products Brief

Fruit and Nut Market Brief

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Report Highlights:

Fruit and nut-based products are popular in Korea for their natural, healthy image, array of flavors, high quality and convenience. Increased consumption and limited local production has led Korea to become heavily dependent on imports of fresh and processed fruits and nuts. Korea is currently the seventh largest importer of U.S. "fruit and fruit preparations, excluding juice." While U.S. exports have been assisted by the devaluation of the dollar against the Korean won; the economic situation, phytosanitary restrictions and high tariffs have slowed the promising growth of imports.

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Table of Contents

I. Domestic Market	3
Table 1: 2001 Fresh Fruit Production and Price Levels	3
Table 2: 2001 Nut Production and Price Levels	4
II. Competitors	4
Table 3: Advantages and Challenges for U.S. fruits and nuts	4
III. Sanitary/Phytosanitary Constraints	5
A. Phytosanitary Certificate	5
B. Inspection	5
C. Import Prohibition	6
Table 4: U.S. and Competitor Fresh Fruit and Nut Conditional Exemptions	6
Table 5: U.S. and Competitor Fresh Fruit and Nut Exemptions	7
IV. Product by Product Analysis	7
A. Citrus	7
Table 6: Market Structure of Citrus Fruit	7
1. Oranges	8
2. Mandarins, Tangerines, and Clementines	8
3. Grapefruit	8
4. Lemons	9
5. Limes	9
6. Jams, etc.	9
7. Prepared/Preserved Citrus	9
B. Non-citrus	9
Table 7: Market Structure of Non-citrus Fruit	9
1. Avocados	11
2. Grapes/Raisins	11
3. Cherries	11
4. Kiwifruit	11
5. Berries (e.g., Strawberries, Blueberries, Raspberries, Cranberries, etc.)	12
6. Prunes	12
7. Jams, etc.	12
C. Tree Nuts	12
Table 8: Market Structure of Tree Nuts	12
1. Almonds	13
2. Walnuts	14
3. Pistachios	14
4. Pecans	14
5. Macadamia Nuts	15
6. Brazil nuts	15
7. Hazelnuts	15
D. Groundnuts	15
Table 9: Market Structure of Groundnuts	15
V. Key Contacts and Further Information	16

I. Domestic Market

Locally grown fruit includes apples, table grapes, Asian pears, persimmons, Onshu tangerines, peaches, plums and strawberries. Korea is the fifth largest supplier of tangerines and clementines and the fourth largest supplier of pears to the United States. However, Korean tangerine exports to the U.S. are currently prohibited due to the presence of citrus canker in the local orchards.

Local fruit is generally sold fresh. Local production areas include Gyeonbuk (apples, peaches, grapes, plums, jujubes, bitter persimmons), Jeonnam (Asian pears), Jeju (tangerines), and Gyeongnam (persimmons, strawberries) and Jeonbuk (raspberries). Other fruits, such as the Japanese apricot, citras junos, kiwi, pineapple and banana, are produced on a lesser scale.

Table 1: 2001 Fresh Fruit Production and Price Levels

Fresh Fruit	Production: 2001 (MT)	Farm Product Prices Received by Farmers		
		Quality	Quantity	Price (W)
<i>Cultivated</i>				
Apples	403,583	Fuji Medium	15 kg	16,249
Asian Pears	417,160	Singo Medium	15 kg	15,098
Peaches	166,275	White Medium	15 kg	14,114
Grapes	453,578	Medium	10 kg	5,580
Tangerines	644,731	Onshu Milgam Medium	15 kg	9,054
Persimmons	270,338	Sweet Medium	15 kg	11,451
Plums	57,874	-	15 kg	26,370
Others 1/	74,133	-	-	-
Strawberries 2/	64,180	Medium	2 kg	2,635
<i>Wild</i>				
Jujubes	9,273		1 kg	8,551
Bitter Persimmons	50,451	-	-	-
Raspberries	458	-	-	-

1/ Large production is used for medicinal purposes, not general consumption

2/ Strawberries are classified as a fruit-bearing vegetable

Source: Korean Ministry of Agriculture, Agricultural & Forestry Statistical Yearbook 2002

Local production areas of nuts are Chungnam (peanuts, walnuts), Jeonnam (chestnuts), Gyeonbuk (sesame, walnuts), Gyeonggi (ginkogo nuts), Chungbuk (walnuts), Gangwon (pinenuts) and Jeonbuk (ginkogo nuts). In 2001, Korea exported less than 1 percent of its walnut and ginkgo nut production, but roughly 18 percent of chestnut production. Nut production is minimal for all other nuts.

Table 2: 2001 Fresh Nut Production and Price Levels

Fresh Nut	Production: 2001 (MT)	Farm Product Prices Received by Farmers		
		Quality	Quantity	Price (W)
<i>Cultivated</i>				
Peanuts	9,620	Hulled Grade B	40 kg	75,517
<i>Wild</i>				
Chestnuts	94,130	Medium	8 kg	8,716
Walnuts	1,064	-	1 kg	8,754
Pine-nuts	891	-	1 kg	5,919
Acorns	1,122	-	1 kg	3,323
Ginkogo Nuts	1,560	-	1 kg	5,796

Source: Agricultural & Forestry Statistical Yearbook 2002

II. Competitors

The largest competitors for U.S. exporters in the Korean market are Australia (fruit), Chile (fruit), New Zealand (fruit), China (fruit and nuts) and the Middle East (nuts). The diverse fruit and nut production of Southeast Asia competes with the U.S. for consumer novelty items otherwise unavailable in Korea.

Competition from local supplies does occur with products such as tangerines, grapes, plums, strawberries, raspberries and walnuts; however, tangerines remain uniquely different and domestic walnut production cannot support consumer demands. Most consumers are proud of domestically grown produce and they are willing to pay a premium for it.

Although not yet ratified, last October Korea successfully negotiated its first Free-Trade Agreement (FTA) with Chile. Upon ratification by the National Assembly, many Chilean agricultural products will enter tariff-free over ten years. In the future, Korea is likely to form additional FTA's with Japan, Singapore, Association of South East Asian Nations (ASEAN), China and the United States. There is significant opposition to these proposed FTA's especially among domestic producers who fear increased competition.

Argentina and Egypt have been discussing phytosanitary protocol with Korea on a variety of citrus fruits and the completion of any such accord could create increased competition for U.S. suppliers in the select areas.

Table 3: Advantages and Challenges for U.S. Fruits and Nuts

Advantages	Challenges
Well Known U.S. Name in many Product Areas	Phytosanitary Requirements: Restrictive and Ever-changing
Demand for U.S. Quality	High Import Tariffs
Consumers with "New Food" Desires	Little Knowledge of Food Uses

III. Sanitary/Phytosanitary (SPS) Constraints

Heavy restrictions are currently placed on fresh produce imports and imports of many fresh fruits, and some nuts from the U.S. are banned. Additional U.S. fruit bans or restrictions are placed on Hawaii, Texas, and Florida due to various kinds of fruit flies. Fresh cherries, oranges and shelled walnuts imported from the U.S. are also subject to mandatory methyl-bromide (MB) fumigation treatment, which can damage the quality of products. The ban on specific U.S. cherry varieties has been recently removed. Processed fruits and nuts (dried, frozen and preserved) often have more liberal import standards. Many phytosanitary concerns may be removed or alleviated through processing, including those of fruit or nuts otherwise banned.

Import restrictions are frequently changing and many products, fresh and processed, have case-by-case exceptions. U.S. suppliers should contact either established importers, the U.S. Agricultural Trade Office in Seoul, or the USDA Animal Plant and Health Inspection Service (APHIS) for current Korean regulations.

Importers and travelers should observe the following regulations set by the Korean National Plant Quarantine Service (NPQS):

A. Phytosanitary Certificate

A *Phytosanitary Certificate* or a copy issued by the appropriate government authorities of an exporting country should accompany the product and be certified that the product is free from regulated pests, as a result of inspection.

Plants or plant products not accompanied by an official phytosanitary certificate issued by the exporting country will be destroyed or returned to origin.

Imports of Florida oranges, tangerines and grapefruit follow a separate protocol (an additional declaration on the phytosanitary certificate is necessary: *Produced in Caribbean fruit fly free area*).

Plants mentioned below are exempt from a phytosanitary certificate regardless of the above regulation:

- Plants processed by heating, drying, grinding, pressing or sealing in a package to meet the standard prescribed by Director General of NPQS and accompanied by the Export Certificate issued by the inspection agency of the exporting country.
- Frozen products attached with the *Certificate of Quality and Condition* or Export Certificate, which states that the plant was frozen under -17.8°C (0°F), issued by the appropriate government entity or certified inspection organization of an exporting country, and the frozen condition is maintained.
- Plants imported in travelers' luggage (if not a prohibited plant).
- Plants imported by mail (if not a prohibited plant).
- Plants that Korean customs dispose of by public auction.

B. Inspection

Any person importing plant products is required to apply to NPQS and KFDA for an inspection. There is no post-entry quarantine inspection directly related to the import of fruits, nuts or their derivatives.

Products found to be infected with prohibited pests as a result of inspection by Korean officials will be destroyed or returned to origin. Products found to be infected with pests

regulated by Korea will be subject to fumigation; otherwise, products will be destroyed or returned to origin.

If the plant protection official deems that imported plants meet import requirements, and are not infected with a regulated pests and potential regulated pests as a result of inspection, a *Certificate of Inspection* will be issued at the request of importer.

Plant products exempt from inspection regardless of previously stated regulations include:

- Products immersed and/or preserved in chemicals, salt, sugar, oil or other preservative materials
- Products processed to the extent that harmful plant pests can be killed and/or eliminated, and then packed to prevent re-infestation
- Other products processed to the extent that the presence of harmful plant pests is precluded.

C. Import Prohibition

- Plant products produced in harmful pest areas that may, if distributed within Korea, be destructive to domestic plants
- Harmful animals and harmful plants
- Soil or plants to which soil is attached
- Containers or package of above plant products

Frozen plants accompanied by a phytosanitary certificate, or certificate issue by an official inspection organization of an exporting country stating that the plants were frozen under -17.8°C (0°F), and maintained in the frozen status, are not regarded as import prohibited plants.

Table 4: U.S. and Competitors Fresh Fruit and Nut Conditional Exemptions

Commodities	Origin	Import Conditions
Cherry & Shelled Walnut	U.S.	➤ MB fumigation in the exporting country
Cherry	New Zealand	➤ Additional declaration on phytosanitary certificate: "The consignment has been inspected and found free of codling moth (<i>Cydia pomonella</i>) and shothole disease (<i>Stigmia carophila</i>)."
Grape & Kiwi	Chile	➤ Pest Free Area ➤ Additional declaration on phytosanitary certificate: "This is to further certify that table grapes covered by this certificate are free of fruit flies and they have been grown in recognized fruit flies free areas."
Orange & Lemon	Australia	➤ Field inspection and fruit incubation inspection ➤ Cold treatment (=1±0.5°C, orange: 16 days, lemon: 14 days) in the exporting country ➤ Pre-clearance inspection by Korean quarantine officers
Sweet orange	South Africa	➤ On-land or in-transit cold treatment (= -0.6±0.6°C, 22 days) ➤ Pre-clearance inspection by Korean quarantine officers
Ponkan orange	Taiwan	➤ Cold treatment (0-1°C, 14 days) in the exporting country ➤ Pre-clearance inspection by Korean quarantine officers

Table 5: U.S. and Competitor Fresh Fruit and Nut Exemptions

Fruit <i>Exempt Location</i>	Nut <i>Exempt Location</i>
Immature Banana World Palm World Pineapple World Orange and Lemon U.S. (except Hawaii and Texas) Japan (except southern of Kyushu island) New Zealand Grapefruit U.S. (except Hawaii and Texas), Japan (except southern of Kyushu island) Lime U.S. (except Hawaii, Texas, and Florida) Grape U.S. (except Hawaii, and Texas) Japan New Zealand Avocado U.S. (except Hawaii, Texas, and Florida) New Zealand Persimmon U.S. (except Hawaii, Texas, and Florida) Japan New Zealand Melon U.S. (except Hawaii) Japan Uzbekistan New Zealand	Walnuts Asia: Lebanon, Myanmar, Syria, Afghanistan, Jordan, Iraq, Iran, Israel, India, China, Turkey, Pakistan, Hong Kong Europe : All Africa : All North America: Canada, U.S., Mexico South America : Bolivia, Brazil, Argentina, Uruguay, Chile, Colombia, Peru Oceania and Pacific: Australia, New Zealand Other: Russia, Ukraine, Turkmenistan, Belarus, Moldova, Armenia, Azerbaijan, Kazakhstan, Uzbekistan, Tadjikistan, Kyrgystan, Georgia, Estonia, Lithuania, Latvia Peanuts, In-shell North America: U.S., Canada Central America : All South America : All Africa : All Asia: India, Indonesia, Malaysia, Pakistan, Philippines, Sri Lanka, Thailand Europe: Belgium, France, Germany, Portugal Oceania and Pacific: Australia, Polynesia, Fiji, U.S. Hawaiian Islands

IV. Product by Product Analysis

A. Citrus Fruit

Table 6: Market Structure of Citrus Fruit

HS-Code/ Description	'03 Tariff Schedule 1/	'02 Imports		'02 Mkt Share Ldr (U.S. %)
		World	From U.S.	
0805.10.0000 Oranges, Fresh/Dr	Q: 52,348 MT N: 50.0%; M: 54.9%	\$88,088,000 102,654 MT	\$85,101,000 99,222 MT	97% U.S.
0805.20.9000 Mand/Tang/Clem, Fresh/Dr: Korean	Q: 2003.8 MT N: 50.0%; M:	-	-	[No Supplier]

0805.20.9000 Mand/Tang/Clem, Fresh/Dr: Other	145.6%	\$62,000 59 MT	\$62,000 59 MT	100%	U.S.
0805.50.9000 Limes, Fresh/Dr: Other latifolia		-	-		[No Supplier]
0805.50.9000 Other Citrus Fruit, Fresh/Dr		-	-		[No Supplier]
0805.40.0000 Grapefruit, Fresh/Dr	32.0% W	\$1,808,000 2,041 MT	\$1,621,000 1,841 MT	90%	U.S.
0805.50.1000 Lemons, Fresh/Dr	32.0% W	\$4,935,000 3,835 MT	\$4,669,000 3,614 MT	95%	U.S.
2007.91.1000 Jams, etc.: Citrus	30.0% G	\$217,000 104 MT	\$151,000 82 MT	70%	U.S.
2008.30.0000 Citrus Fruit, Prep	46.4% W	\$1,958,000 2,534 MT	\$173,000 71 MT	68% (9%)	China

1/ Quota Amounts (Q) are subjected to within quota tariffs (N) and out-of-quota tariffs (M). Tariffs subject to WTO (W), General Temporary (G), and Other (O)

Source: Korea Trade Information Services

Citrus products imported into Korea are most commonly fresh produce and face large market access constraints. A 100 percent fumigation policy applies to all California oranges due to red scale. Florida orange, tangerine and grapefruit products face a separate protocol. Since imports are usually fresh, they are primarily directed to the retail level. Korean imports of fresh fruit have been growing in Korea.

1. Oranges

Korea is currently the third largest importer of U.S. oranges, following Canada and Japan; and for three consecutive years, imports have exceeded the in-quota tariff amount (see Table 6). In 2004, the quota will be eliminated.

U.S. navel oranges have typically been very appealing to Korean consumers for their consistency in good quality, familiarity, and physical appearance. However, the quality this year has been less than expected and coupled with the slow Korean economy, imports were lower than predicted.

Valencia oranges are seeing more prospects in fresh-squeezed juices, a result of the rapid growth of juice bars in local supermarkets. This emerging market segment is widely underdeveloped but holds interesting prospects for the future.

2. Mandarins, Tangerines, and Clementines

Korea is extremely protective of its Onshu tangerine production and currently, only the U.S. is active in this market. Available imports from the U.S. in 2003 remain somewhat unpredictable, since total U.S. tangerine production is expected to be low.

Korea has agreed to a 100 metric ton tariff rate quota (TRQ) for Chilean mandarins with the possibility of further expansion following FTA ratification. In 2002, April was the only month in which Koreans had imports; they have yet to import in 2003.

3. Grapefruit

Koreans consider U.S. grapefruit quality good, but U.S. product often competes against other fruit, such as summer fruit from Chile and other varieties of tropical fruit. Japan is the only country outside the U.S. permitted to export fresh grapefruit to Korea. Israel is permitted to export dried grapefruit to Korea.

4. *Lemons*

Other than the U.S., New Zealand, Germany and Australia supply lemons to Korea. Lemons are in high demand during the summer months and present a new market for imports. However, growth has thus far, through June, slowed to 78 percent of the 2002 pace. In respect to the Chilean FTA, the local industry has identified Chilean lemons to be price competitive with those from the U.S. and may become a large competitor with the U.S. once the FTA with Korea is ratified.

5. *Limes*

Limes do not currently play a role in the Korean market. Limes may begin to play a role in Korea when Mexican food becomes more popular. Still, the U.S. may not play a significant role since its own groves, situated in Florida, were all but eliminated by hurricane and citrus canker disasters. This has pushed U.S. growers to switch to alternative crops.

6. *Jams, etc.*

Primary providers of citrus jams, jellies, and marmalades are the U.S., Switzerland, the European Union and Australia. Imports are up 30 percent as compared to last year's imports, through June.

7. *Prepared/Preserved Citrus*

China is the dominant supplier of prepared/preserved citrus with smaller players in the U.S., Canada, the E.U., Japan and Brazil. Currently, imports are up 42 percent from 2002.

B. Non-citrus**Table 7: Market Structure of Non-citrus Fruit**

HS-Code/ Description	2003 Tariff Schedule 1/	'02 Imports		'02 Mkt Share Ldr (U.S. %)
		World	From U.S.	
0804.20.0000 Figs, Fresh/Dried	30.0% G	\$582,000 496 MT	\$6,000 .89 MT	99% Iran (1%)
0804.30.0000 Pineapples, Fresh/Dried	2/ 30.0% G	\$12,016,000 31,954 MT	-	98% Philippines (0%)
0804.40.0000 Avocados, Fresh/Dried	30.0% G	\$497,000 117 MT	\$285,000 63 MT	57% U.S.
0806.10.0000 Grapes, Fresh	45.5% W	\$375,000 282 MT	\$10,000 6 MT	96% Chile (4%)
0806.20.0000 Grapes, Dried (Raisins)	22.4% O	\$3,007,000 3,197 MT	\$2,829,000 2,829 MT	94% U.S.
0807.19.0000 Other Melons, Fresh	3/ 46.4% W	\$29,000 12 MT	-	69% New Zealand (0%)
0809.20.0000 Cherries, Fresh	25.6% W	\$1,689,000 260 MT	\$1,497,000 240 MT	89% U.S.
0810.50.0000 Kiwifruit, Fresh	45.5% W	\$16,373,000 10,233 MT	\$548,000 311 MT	88% New Zealand (3%)
0811.10.0000 Strawberries, Frozen	30.0% G	\$1,437,000 1,909 MT	\$136,000 86 MT	89% China (9%)
0811.20.0000 Raspberries, etc., Frozen	30.0% G	\$611,000 305 MT	\$348,000 167 MT	57% U.S.

0811.90.9000 Other Fruit & Nuts, Frozen	30.0% G	\$12,022,000 16,544 MT	\$415,000 185 MT	87% (3%)	China
0813.10.0000 Apricots, Dried	4/ 45.5% W	\$248,000 156 MT	-	100% (0%)	Turkey
0813.20.0000 Prunes, Dried	19.2% W	\$152,000 62 MT	\$152,000 62 MT	100%	U.S.
0813.40.9000 Other Fruit, Dried	5/ 45.5% W	\$244,000 116 MT	\$1,000 .06 MT	80% (0%)	China
0813.50.0000 Mixtures, Dried: Ch. 8	6/ 45.5% W	\$2,000 153 MT	-		[No Leader]
2006.00.9090 Other Fruit & Nuts, Prep: Sugar	30.0% G	\$920,000 664 MT	\$109,000 23 MT	56% (12%)	Thailand
2007.10.0000 Jams: Homogenized	30.0% G	\$664,000 197 MT	\$640,000 184 MT	96%	U.S.
2007.99.1000 Jams, etc.: Non-Citrus	30.0% G	\$1,741,000 742 MT	\$810,000 416 MT	47%	U.S.
2007.99.9000 Puree & Paste: Non-Citrus	30.0% G	\$1,112,000 767 MT	\$336,000 214 MT		[No Leader] (30%)
2008.20.0000 Pineapples, Prep	45.5% W	\$8,840,000 11,758 MT	\$193,000 71 MT	73% (2%)	Philippines
2008.40.0000 Pears, Prep	46.4% W	\$179,000 212 MT	\$8,000 7 MT	50% (0%)	South Africa
2008.50.0000 Apricots, Prep	46.4% W	\$187,000 99 MT	\$12,000 7 MT		[No Leader] (1%)
2008.60.0000 Cherries, Prep	46.4% W	\$4,470,000 2,199 MT	\$4,226,000 1,995 MT	95%	U.S.
2008.70.1000 Peach & Nectarine, Prep: A/S	50.0% G	\$7,731,000 11,067 MT	\$34,000 57 MT		[No Leader] (0%)
2008.80.0000 Strawberries, Prep	45.5% W	\$628,000 280 MT	\$453,000 219 MT	72%	U.S.
2008.91.0000 Palm Hearts & Mix, Prep	46.4% W	\$4,000 .45 MT	\$1,000 .19 MT		[No Leader] (25%)
2008.92.1010 Fruit Cocktail & Mix, Prep: A/S	50.0% G	\$13,617,000 17,695 MT	\$46,000 38 MT	90% (0%)	Philippines
2008.92.1090 Fruit Cocktail & Mix, Prep: Other	45.5% W	\$74,000 111 MT	\$2,000 .38 MT	73% (3%)	Thailand
2008.92.2000 Fruit Salad & Mix, Prep	46.4% W	\$14,000 5 MT	\$7,000 4 MT		[No Leader] (50%)
2008.99.1000 Grapes & Mix, Prep	46.4% W	\$2,000 .05 MT	\$0 .006 MT		[No Leader] (10%)
2008.99.2000 Apples & Mix, Prep	46.4% W	\$300,000 167 MT	\$211,000 118 MT	70%	U.S.
2008.99.9000 Other & Mix, Prep	46.4% W	\$12,955,000 14,952 MT	\$1,838,000 649 MT		[No Leader] (14%)

1/ Tariffs subject to WTO (W), General Temporary (G), and Other (O)

2/ "Pineapple, Fr/Dried" imports from the US through June 2003 (\$2 / .568 / 0%)

3/ "Other Melons, Fresh" imports from the US through June 2003 (\$0 / .013 / 100%)

4/ "Apricots, Dried" imports from the US through June 2003 (\$2 / .102 / 1%)

5/ Customs HS change in 2001

6/ "Mixtures, Dried: Ch. 8" imports from the US through May 2003 (\$1 / .200 / 50%)

Source: Korea Trade Information Services

While fresh non-citrus fruit confront many of the same market access constraints as citrus, more bans on fresh non-citrus fruits create a large market for processed fruits. Imports of these processed fruits typically compete against domestically grown fresh fruits. The demand for processed fruit is growing among the bakery, confectionery, and snack food sectors. Younger Koreans seeking new products are the driving force behind this movement. This trend ties in closely with the recent explosion of coffee shops and pastry cafes, such as Starbucks, that provide these bakery goods as side orders to complement their lead product. Recent industry seminars and demonstrations conducted to educate bakers about preparation techniques, various health benefits, and unique flavors have added to the growth in this sector.

1. *Avocados*

Avocado consumption has recently grown in Korea. While chip dipping is still not widely popular, dining at family restaurants (e.g., TGIFriday's, Bennigans, etc.) where Mexican dishes, often accompanied by guacamole, are served has become very trendy. Japanese restaurants, fusion restaurants and some bakery cafes also serve Kimbop or California rolls that feature avocado in its contents. Avocado imports in 2003 to date are up 42 percent from 2002. The U.S. and New Zealand are currently the only suppliers.

2. *Grapes/Raisins*

Traditionally seeded red table grapes have been the most popular, but demand has recently climbed for seedless red and green. Through June 2003 imports of fresh grapes were up 62 percent from last year in spite of the 45.5 percent tariff rate. U.S. grapes must also compete against domestic production and are relatively expensive.

Raisins are mostly consumed as a snack, in breads, and in cereals. Raisin imports are up 14 percent. The U.S. is the major supplier (94 percent market share) and South Africa (3 percent market share) is the largest of the small suppliers. Demand has remained steady.

3. *Cherries*

Fresh cherries are imported from the U.S. (with MB fumigation) and New Zealand (with additional declaration). Effective May 12, 2003, the partial varietal ban on fresh U.S. cherry varieties was lifted, pending fumigation standards. As a result, fresh cherry imports are up 120 percent in 2003 through June, as compared to the same time period last year. The U.S. varieties remain the best known among Korean consumers. Fresh cherries go to the retail sector and are consumed directly. Common uses include toppings for dishes or desserts.

The U.S. dominates prepared/preserved cherry imports in Korea; remaining imports are divided among a number of smaller exporters, led by China. The market for these processed cherries is 69 percent larger than the culmination of imports through June of 2002. Most processed cherries are used in the bakery industry.

4. *Kiwifruit*

Competitors in the Korean kiwifruit market include New Zealand (88 percent), Chile (8 percent), and the U.S. (3 percent). Growing world supply, overlapping marketing seasons resulting from improved storage facilities, and contractions within the U.S. kiwifruit industry have left the U.S. with a diminished role as an exporter to Korea.

Production in Korea is near 7,000 metric tons and Korea is developing additional orchards with new varieties.

5. Berries (e.g., Strawberries, Blueberries, Raspberries, Cranberries, etc.)

With the exception of raspberries, domestic berries are virtually non-existent in the domestic market, especially processed berries, as local farmers choose to market their products fresh in order to sell at a premium price. With the aid of relatively new strawberry varieties, availability of supply from the U.S. is year round. U.S. production is also increasing, resulting in lower prices and a larger supply available for export. Phytosanitary constraints restrict imports of non-U.S. fresh berries to only blueberries from Nepal or Indonesia and strawberries from Japan. Korea's main supplier of processed cranberries is the U.S., where they are indigenous. The blueberry is also indigenous to the U.S., which is the leading producer in the world (55 percent).

Processed berries are mostly used as ingredients in processed products such as baked goods, yogurt, ice cream, jam/jellies, syrup, juice/concentrates, baby food, cereal and various snack food products. Frozen berries are available in bulk frozen or individually quick frozen (IQF) formats. For example, most wild blueberries are IQF for use in processed food. China controls nearly 90 percent of the frozen strawberry market, although imports have been declining in 2003. Meanwhile, the imports of other berries have increased significantly (up 250 percent so far this year). Key suppliers of other berries to Korea are France, the U.S., Yugoslavia, and China.

Recent promotion of the health benefits of berries gained broad attention. Most are rich in vitamins and minerals, low in calories and possess anti-carcinogenic properties.

6. Prunes

The U.S. is the sole supplier of dried prunes to Korea and exports have risen 93 percent from 2002. However, both Chile and France are large suppliers of prunes to the world and may become competitors for the Korean market.

7. Jams, etc.

Primary providers of non-citrus jams, jellies, and marmalades are the U.S., the E.U, and Switzerland. Imports in 2003 are down 4 percent as compared to last year's imports, through June.

C. Tree Nuts

Table 8: Market Structure of Tree Nuts

HS-Code/ Description	2003 Tariff Schedule 1/ 2/	'02 Imports		'02 Mkt Share Ldr (U.S. %)
		World	From U.S.	
0801.21.0000 Brazil nuts, Fresh/Dr: In-shell	30.0% G	-	-	
0802.11.0000 Almonds, Fresh/Dr: In-shell	8.0% G	\$175,000 58 MT	\$175,000 58 MT	100% U.S.
0802.12.0000 Almonds, Fresh/Dr: Shelled	8.0% G	\$16,705,000 5,416 MT	\$16,338,000 5,299 MT	98% U.S.
0801.21.0000 Hazelnuts, Fresh/Dr: In-shell	8.0% G	-	-	
0802.22.0000 Hazelnuts, Fresh/Dr: Shelled	8.0% G	\$718,000 228 MT	-	98% Turkey
0802.31.0000 Walnuts, Fresh/Dr: In-shell	45.5% W	\$284,000 411 MT	\$0 .02 MT	100% China (0%)
0802.32.0000 Walnuts, Fresh/Dr: Shelled	32.0% W	\$5,752,000 1,362 MT	\$5,581,000 1,254 MT	97% U.S.

0802.40.1000 Chestnuts, Fresh/Dr: In-shell	Q: 2,073.5 MT; N: 50.0%;	\$664,000 422 MT	\$82,000 34 MT	88% (12%)	China
0802.40.2000 Chestnuts, Fresh/Dr: Shelled	M: > of 221.8% or 1,486 W/kg	\$193,000 36 MT	-	89% (0%)	Japan
0802.50.0000 Pistachios, Fresh/Dr	30.0% G	\$1,623,000 445 MT	\$1,587,000 442 MT	98%	U.S.
0802.90.1010 Pine-nuts Fresh/Dr: In-shell	Q: 50.6 MT; N: 30.0%;	-	-		
0802.90.1020 Pine-nuts Fresh/Dr: Shelled	M: > of 573.1% or 2,694 W/kg	\$191,000 55 MT	\$58,000 11 MT	62% (30%)	China
0802.90.9000 Other Nuts, Fresh/Dr	30.0% G	\$924,000 141 MT	\$279,000 48 MT	70% (30%)	Australia
2008.19.1000 Chestnut & Mix, Prep	50.0% G	\$220,000 76 MT	\$19,000 6 MT	[No Leader] (9%)	
2008.19.2000 Coconut & Mix, Prep	46.4% W	\$1,781,000 1,594 MT	\$132,000 40 MT	[No Leader] (7%)	
2008.19.9000 Other Nuts & Mix, Prep	46.4% W	\$10,328,000 11,261 MT	\$1,746,000 302 MT	75% (17%)	China

1/ Quota Amounts (Q) are subjected to within quota tariffs (N) and out-of-quota tariffs (M). Tariffs subject to WTO (W), General Temporary (G), and Other (O)

2/ "Brazil nuts: in-shell" imports from the US through June 2003 (\$3 / 1.134 / 100%)

3/ "Pine-nuts, FreshDried: in-shell" imports from the U.S. January through June 2003 (\$62,000 / 1.524 MT/ 100% U.S. market share)

4/ Mostly pecans and macadamia nuts

Source: Korea Trade Information Services

Korea is very protective of its domestic tree-nut production, mainly chestnuts and walnuts, but usually very open to the imports of other nuts. Almonds are the largest tree-nut imports by Korea, followed by walnuts. The amount of tree nuts available on the world market is dependent on production and 2003 is expected to have large crops of almonds, hazelnuts, macadamia nuts, pecans and walnuts.

Nuts in Korea have jumped in popularity hand-in-hand with dried fruits, due to the growth in the bakery, confectionery, and snack food markets. Nuts play a particularly large role in snack foods where they are often eaten alone or with drinks. Consumer perception of nuts has been changing with the recent heavy promotions of their nutritional benefits.

1. Almonds

The promotion of almonds has been the most successful among the nuts at developing an established market and creating a recognizable "brand name" in Korea, and the market for almonds is expected to see continued growth. As a result, almonds have become the most widely used nut in Korean products. Market access constraints are limited and tariff rates are comparably low.

All sweet almonds are imported. Worldwide suppliers of almonds are Greece, India, Italy, Spain, and Turkey, yet the U.S. holds a strong grasp on the Korean market with a 98 percent market share. India could become a major competitor since it imports in-shell almonds and later exports them as shelled, taking advantage of lower labor costs.

Almonds are found nationwide in confectionery, bakery, and dairy products. In the snack food market, almonds are used in chocolate bars and competing against peanuts and

potato chips. In European style dishes, almonds are used quite frequently as a paste (marzipan). Almonds are also being used in cereals.

Many Korean processors are still unaware of all the uses for almonds, especially as ingredients in processed foods. Educational seminars have assisted manufacturers establish new product lines using almonds. Non-traditional product lines that use almonds as an ingredient, such as in cereal, are being created to fit the health conscious consumer. Other uses in desserts are also being developed.

2. *Walnuts*

Walnuts imports from the U.S. are shelled, as in-shelled nuts are prohibited. Additional market access constraints have recently been removed or revised (e.g., vacuum packing, fumigation protocol) allowing for freer flowing trade. Still, a high tariff, fumigation protocol, and the new Product Liability (PL) Act continue to hinder market. The PL act requires distributors to guarantee that virtually no foreign material or shell is present amongst shelled walnuts. As a result, the PL act has created a new high quality market for shelled walnuts.

Consumer demand for walnuts is filled roughly through one-third domestic production and roughly two-thirds imported. However, there is concern that China, the largest competitor, has been moving walnuts through North Korea to be shelled there and brought duty-free into South Korea.

Consumption of walnuts is highest from mid-January through February, during the Lunar New Year, as the consumption of walnuts is believed to rid oneself of bad luck. Most walnuts, however are eaten throughout the year in process foods. Walnuts traditionally have been known to be bitter and unattractive and rarely have walnuts been represented as the featured ingredient. For this reason, ingenuity has been needed to find new uses for walnuts and to develop new product lines (e.g., walnut ice cream bars, walnut-chocolate candy bars, etc.) Dried walnuts can be used in breads, rolls, pastries, cookies, cakes, cheeses and ice cream. As a snack, shelled walnuts may be served in halves, chopped (topping for a dessert) or as coated fried walnuts (glazed with honey, sugar, salt, sesame seeds and/or a variety of other ingredients). Rice porridge with walnuts is very popular, especially among young children.

Seminars focusing on health benefits, superior quality and taste, and high versatility may be among the best ways to educate Korean processors and consumers on walnuts. Most focus on developing new recipes remains on the baking industry. More attention is being directed toward confectionery companies, ice cream manufacturers/retailers and restaurants. In a 2001 poll conducted by the California Walnut Commission, many respondents noted that walnuts were versatile (88 percent) and healthy (68 percent). Walnuts are known for lowering cholesterol. However, purchase frequency in 2001 was reported as being down for shelled walnuts (2.4 times) and walnuts in processed foods (4.9 times).

3. *Pistachios*

The U.S. holds 98 percent of the Korean market. Pistachios are primarily served as a snack item in Korea. However, current quality issues are hurting the overall market for pistachios.

4. *Pecans*

The U.S. holds 100 percent of the Korean market. Pecans are primarily seen in bakery and confectionery items such as cookies, cakes, candies and pies. They can be used in

snack mixes and gift packs when salted, roasted, sugared or spiced. Pecans can also be used as a partial replacement for other fats and wheat flour in cooking. Walnuts compete directly with pecans in the Korean market as both have similar uses and walnuts are significantly less expensive.

5. *Macadamia Nuts*

Australia and the U.S., the two largest producers of macadamia nuts, compete in the Korea market. Macadamia nuts are often imported for processed foods items instead of as a nut. Macadamia nuts are primarily used in the bakery industry, but like the other dried fruits and nuts, the extent of use in Korea is small yet growing.

6. *Brazil Nuts*

Historic competitors in the Korean market have been the U.S. (shelled) and the U.K., Germany and Vietnam (in-shell). Brazil nut presence in Korea is and has been very small, but lately there has been some interest in using it as an ingredient in mixed nut snacks. In 2000, Korea purchased \$7,000 of Brazil nuts from the U.S.

7. *Hazelnuts*

Turkey currently accounts for nearly 70 percent of world production and is the leader in the Korea import market. In the future, it is likely that the Turkish government will stop subsidizing hazelnut production. If this does happen, production is predicted to drop by 25 percent.

D. Groundnuts

Table 9: Market Structure of Groundnuts

HS-Code/ Description	2003 Tariff Schedule 1/		'02 Imports		'02 Mkt Share Ldr (U.S. %)	
			World	From U.S.		
1202.10.0000 Groundnuts: In-shell (Peanuts)	4,907.3 MT (Shelled Basis)	N: 40.0% M: 233.1%	\$98,000 459 MT	-	100% (0%)	China
1202.20.0000 Groundnuts: Shelled (Peanuts)		N: 25.8%; M: 233.1%	\$114,000 422 MT	\$0 .001	100% (0%)	China
2008.11.9000 Groundnuts & Mix, Prep: Other		N: 40.0%; M: 64.6%	\$19,472,000 30,110 MT	\$43,000 22 MT	99% (0%)	China
2008.11.1000 Peanut Butter	50.0% G		\$3,301,000 2,358 MT	\$1,936,000 1,030 MT	59%	U.S.

1/ Quota Amounts (Q) are subjected to within quota tariffs (N) and out-of-quota tariffs (M). Tariffs subject to WTO (W), General Temporary (G), and Other (O)

Entry barriers keep many countries from entering the peanut market in Korea. China, one of few countries with trade permission, has capitalized on the in-shell market and also holds the shelled market with little competition from the rest of the world. Quota limitations have kept imports down. While preparations of peanuts, excluding peanut butter, have taken the higher share of out-of-quota tariff rates, imports of raw peanuts, shelled or in-shell, have been constricted. Uses of peanuts in Korea generally follow that of tree nuts.

While Korea imports over half of its peanut butter by value from the U.S., the U.S. and China, together, make up 96 percent of the market.

V. Key Contacts and Further Information

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