USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 10/8/2003

GAIN Report Number: KS3057

Korea, Republic of

Exporter Guide

Annual

2003

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Report Highlights:
South Korea is the fourth largest market for U.S. agricultural products. Imports of agricultural products were $3.3 billion in 2002 and are projected to reach $3.5 billion in 2003. Consumer-Oriented food products are the fastest growing category and imports of these products from the U.S. reached a record high of $1.35 billion in 2002, up 32 percent from 2001, and it is forecast to grow another 15 percent in 2003. This report serves as a general guide to prospective U.S. agricultural exporters seeking to enter the Korean market. It provides a market overview, tips on how to do business in Korea, and information on the market structure and trends.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Seoul ATO [KS2]
[KS]

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SECTION I. MARKET OVERVIEW

The Korean economy slowed significantly in 2003 mainly due to depressed consumer spending, the North Korean security situation, and the sluggish U.S. economy. According to the International Monetary Fund (IMF), Korean gross domestic product (GDP) will likely only reach 2.5 percent this year, a significant drop from the 6.3 percent achieved in 2002. IMF forecasts indicate that GDP will rise again in 2004 to 4.7 percent. Per capita gross national income (GNI) reached $10,013 in 2002, up from $9,000 in 2001. The GNI has grown at an average rate of 7 percent per year for the last four decades according to a Korea Development Institute study, but preliminary estimates indicate that it will decline by 1.8 percent in 2003. Official foreign currency reserves as of the end of July 2003 stood at $133 billion, making Korea the fifth-largest holder of foreign exchange reserves in the world. This is expected to boost Korean external credibility and stabilize domestic finance markets.

Korea imports about 70 percent of its agricultural product needs. About the size of Indiana, the 2003 population of Korea is estimated at 48 million. Of the total population, about 47 percent are concentrated in the metropolitan Seoul area (Seoul, Inchon and Kyunggi Province).

Korea is the fourth largest market for U.S. agricultural products. Total Imports of agricultural products were $12.9 billion in 2002 and are projected to reach $13.4 billion in 2003. The fastest growing category of imports from the U.S., consumer-oriented food products increased by 25 percent to $3.5 billion in 2002. Consumer-oriented food imports from the U.S. also reached a record high $1.35 billion in 2002, up 32 percent from 2001, and they are forecast to grow another 10% in 2003. It is only in the consumer-oriented food sector that the U.S. market share is growing. Imports from the U.S. accounted for about 39 percent of total consumer-oriented food imports in 2002.

Table 1. Agricultural Imports by Sector
From the World and the U.S.
(Millions of U.S. Dollars, Based on CIF Value)

Category	2000		2001		2002		2003 (f)	
	World	U.S.	World	U.S.	World	U.S.	World	U.S.
Cons. Oriented Foods	2,871	1,150	2,772	1,022	3,474	1,346	3,745	1,486
Intermediate Foods	3,215	898	3,396	943	3,142	842	3041	849
Bulk Foods	2,683	924	2,685	1,061	2,749	772	3032	825
Fish & Seafood Products	1,338	138	1,585	149	1,820	165	1,860	155
Forest Products	1,491	166	1,487	152	1,718	147	1,699	142
TOTAL	11,598	3,276	11,926	3,327	12,903	3,272	13,377	3,457

Note: (f) is a forecast based on January-July data.
Source: Korea Trade Information Service (KOTIS)

Changes in Korean lifestyle and dietary culture, along with remarkable development in socio-economic environment, have resulted in significantly expanded demand for processed food and beverage products. Increasing affluence, more women in the workforce, and a well-traveled younger generation looking for foods with an international flavor are promoting the rise in popularity of convenience stores, bulk retail outlets, and western-style and family restaurants. The demand for products, such as frozen vegetables, sauce preparations, chilled beef and confectionery items is growing and the domestic processing industry lacks the capability to supply these items. Additionally, local agricultural output currently does not meet the demand of the local processing industry.

Table 2: Advantages and Challenges for U.S. Consumer-Oriented Food Products

Advantages	Challenges
Equal or superior quality to domestic products	The vast variety of products that are unknown
Increasing affluence of Koreans	Importers lack knowledge of product sources
Diminishing resistance to imported foods	High marketing costs
Confidence in U.S. foods	Food safety concerns and biotech issues
Low tariffs for processed products	Frequent changes in food regulations
Almost all food products are importable	Onerous inspection/customs clearance procedures

SECTION II. EXPORTER BUSINESS TIPS

A. Where to Start

When considering the Korean market, exporters should conduct preliminary research to determine if the market is appropriate for the product. Possible sources of market information include Korean importers, US state departments of agriculture, the USATO website and the US Department of Commerce, lists of Korean importers, by product, can be obtained from the U.S. Agricultural Trade Office, or through the Foreign Agricultural Service in Washington, D.C. The next step might include sending catalogues, brochures, product samples, and price lists to prospective importers as a way of introducing the company and products.

Once contact is established, it is advisable to visit the importer(s) in person, which will increase the sellers credibility with the Korean importer and give an opportunity to see the Korean market first hand. In Korea the cliches about "seeing is believing" and "one visit is worth a 1,000 faxes" are especially true. There is no substitute for face-to-face meetings. The supplier or exporter should bring samples as well as product and company brochures including price lists, shipping dates, available quantities, and any other information needed for negotiating a contract. While information in English is acceptable, having it in Korean is helpful. A general overview of the firm in Korean is a good plan to start.

Another way of finding potential importers is to participate in local food shows to showcase your products to a larger audience. Many Korean importers attending these shows are looking to establish reliable long-term trading relationships. Show participation enhances initial contacts with importers, agents, wholesalers, distributors, retailers and others in the food and beverage industry.

The Food & Hotel Korea 2004 will be held in Seoul at the aT Center, March 3-5, 2004. It presents an excellent opportunity to explore possible market opportunities in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc. It is currently the only USDA-supported food show in Korea.

American companies should be sensitive to the uniqueness of the Korean market. An approach or a product that was successful in another market does not mean it will be applicable to Korea. It will be necessary to renew the product design, packaging and market approach for the Korean situation, requirements and tastes. A well-developed relationship with a Korean importer is an asset when determining how best market a product.

For exporters of high-value niche market products, the Mid-America International Agri-Trade Council (MIATCO) offers a Distributor Development Service (DDS), which provides a series of cost-effective services designed to assist U.S. suppliers with specific information on whether and how to approach the Korean market. It will also assist U.S. food companies in establishing and solidifying contacts in the Korean import, distribution, retail, food service, or food processing sectors through trade servicing and in-market assistance. For information on the MIATCO DDS, see contact information in Section V of this report.

Finally in the Korean market, never take anything for granted. Be ready for the unexpected. Just because the first container cleared customs does not mean the second one will. Be open for new information, attentive and patient.

B. Local Business Customs

Korea is a country of tradition. While importers understand international business, noting the cultural nuances will facilitate building a business relationship. The following are some of business tips U.S. suppliers should keep in mind when dealing with Korean businessmen.

1. Obtaining Information: To obtain information from a Korean importer, it is best to ask directly and explain why information is important. Koreans may require more of an explanation than Americans are used to providing. A lengthy discussion about the seller and the firm's history may be needed. If you don not receive a successful reply, there is nothing wrong with politely asking again. In Korea, it is often seen as a sign of seriousness to continue presenting your request. Additionally, Koreans will rarely say, "no" directly. Instead they will say something is "very difficult."

2. Initial Communications: Koreans prefer to deal face-to-face. As such, cold calling (or cold e-mailing) is very difficult in Korea. When corresponding through written communication, start with words of appreciation, clearly mark the recipient's name, title, and division (as many Koreans have the same last name), avoid using long complex sentence and slang, indicate a reasonable time frame for a response, and close with additional words of appreciation.

3. Relationships: Personal relationships are very important. Koreans like to maintain long-term relationships and are often very loyal. Developing a relationship with a potential Korean partner is vital to establishing your credibility. If a seller has already entered this market, the established contacts can help to build trust with the new one.

4. Introductions: It is very helpful to have a formal introduction to the person or company with whom the seller wants to do business in Korea. Meeting the right person in a Korean company is almost always dependent on having the right introduction.

5. Evening Gatherings: The office may not be the best place to discuss business matters or propose new ideas, especially when dealing with the older generation. It is helpful to get together in the evening for a less formal, but no less important, meeting. Korean businessmen often gather after work to see friends over drinks. There many of the hierarchical traditions slacken. The rules of society weigh heavily on Korean behavior, and drinking is one of the few times they can be themselves. Although Koreans are wary of people who refuse to drink or who drink moderately, foreigners are given a little more flexibility especially if you can offer an excuse of health or religion. A useful, cultural point to note in this situation is that it is impolite to pour one's own drink. So, if you want a drink, do not be bashful about pouring a drink for others.

6. Name Cards and Address: The exchange of name cards is usually the first item of business. In Korea people seldom call others by their first names. Instead, they use surnames (such as Mr. Hong) or title and surname together (such as President Hong). Never use a first name unless the person specifically asks to be called by their first name. Surnames are often written first on a Korean business card, for example Hong, Gil Dong would be referred to as Mr. Hong. For Westerners, it is difficult to know from the given names if the contact is a man or a woman.

7. Meetings: Small talk is a good way to break the ice at the beginning of a meeting, and a short, orderly meeting with an agenda provided in advance will go along way towards the completion of a successful meeting. It is very likely that the meeting will be with a senior staff member whose English may not very good. At times, a junior staff member might translate but, if not, be prepared to provide all materials and/or requests in writing. Pay attention to seating arrangement, usually the senior staff member will sit at the head of the table. Decisions are usually made from the top down in Korea. When making initial visits, hiring a translator can be a valuable investment. Take time to educate the translator before hand so terms and some familiarity can be worked out.

8. Dress: It is recommended to wear a business suit and tie when meeting or visiting Korean importers for the first time. First impressions are important.

9. Face-to-face Communications: One idiosyncrasy of the Korean language is that Koreans say “yes” when they might mean “no” or vice versa. For instance, in Korean, “Wouldn’t you like to go home?” if answered with a “yes” means ‘that’s right, I would not like to go home". To avoid confusion, reply with a full sentence, “yes, I would like to go home.”

10. Resolving Conflicts: Koreans do not like to appear to have "lost face." It is important to always try to give something even if you think you are in the right. It will help the conflict resolve more quickly. Visible anger is not useful in a confrontation. Instead, silence is a more effective method of conveying displeasure. Apologizing can also be useful and does not always mean you feel you were wrong. Lastly, never direct your criticism directly at one specific person, but at an entire group.

C. General Consumer Tastes and Preferences

Traditionally, Korean dishes require a lot of preparation time. Small restaurants specializing in only a few dishes are still common. Home preparation, however, is becoming increasingly rare. It is not unusual for working members of the household to have business dinners five nights a week, which is one reason restaurant consumption has continued to grow despite the lackluster economic situation. For home consumption, busy consumers can purchase ready-made local-style food items such as kimchi or bulgogi at local grocery or convenience stores.

There is a general preference for national brand products and/or products that have long been recognized in the market. Never the less, the younger generation has had a lot of exposure to Western- style foods, especially American food. Approximately 40,000 Korean elementary and middle school students study in the United States and, thus, they are somewhat accustomed to US brands and to the taste of American products.

Korean consumers also like natural, fresh food products, such as health foods, functional foods and diet foods. As a result, the organic market is a segment that has been developing rapidly. Koreans have always looked to their food to provide a functional or health benefit and foods made without the use of pesticides or insecticides are very appealing.

It is also important to note that Korean consumers are very sensitive to food safety issues. They tend to get their information through the media and trust it in spite of the often misleading information. Once a “food scare” rumor gets publicity, that food is affected and its reputation is quickly damaged.

D. Food Standards and Regulations

Food standards and regulations are subject to frequent change. U.S. exporters need to ensure that all necessary customs clearance requirements have been verified with local authorities through the Korean importer before the sale conditions are finalized. Final import approval of any product is always subject to the standards and regulations as interpreted by the Korean official at the time of product entry.

There are many food standards and regulations. This report describes only the basic guidelines of Korea's import requirements. For details on Korean import regulation, see the Food and Agricultural Import Regulations and Standards (FAIRS) Reports – KS3041 dated July 30, 2003.

E. General Import and Inspection Procedures

Korea Customs Service (KCS), the Korean Food and Drug Administration (KFDA), the National Quarantine Office (for ports that do not have KFDA regional offices), the National Veterinary Research & Quarantine Service (NVRQS) and the National Plant Quarantine Service (NPQS) are the agencies involved in the import clearance process. Imports of agricultural products generally must receive clearance from several organizations and are thus more likely to encounter port delays than other imported products. In addition, other organizations may be involved in regulating imports through the administration of licenses or, in some cases, quotas for agricultural products.

KCS is responsible for ensuring that all necessary documentation is in place before the product is finally released from the bonded area. KCS operates an Electronic Data Interchange System (EDI) and KFDA operates the imported food network system through their regional offices and national quarantine offices. The KFDA network system is connected to the EDI system, which permits KFDA inspection results to be transmitted more quickly which shortens the KCS clearance time. Products subject to plant or animal quarantine inspection must be cleared by the appropriate quarantine inspection authority before KCS will provide clearance.

Korea Food & Drug Administration (KFDA) Import Procedures

1. The importer or the importer's representative submits the "Import Declaration for Food and other required documents"

2. The type of inspection to be conducted is determined in accordance with the guidelines for inspection of imported food products. The types of inspection for a given food product include: Document Inspection, Visible Inspection, Laboratory Inspection, and Random Sampling Examination.

3. If a product is subject to visible inspection, laboratory inspection and/or random sampling, the KFDA inspector will conduct a field examination and take samples for the laboratory test.

4. KFDA conducts the conformity assessment from the information collected, using such items as test results, document inspection results, etc.

5. If a product complies with the Korean standards, KFDA issues a certificate for import. The importer can then clear the product with the KFDA import certificate.

6. If a product does not comply with the Korean standards, KFDA will notify the applicant and the regional customs office on the nature of the violation. The importer decides whether to destroy or return shipments to the exporting country or use it for inedible purposes. If the violation can be corrected, as with labels, the importer can reapply for the inspection after making the corrections.

7. For perishable agricultural products, such as fresh vegetables, fruits, etc., an importer can clear the products prior to completion of the laboratory test with a pre-certificate for an import report issued by KFDA. However, in this case, the importer should be able to track down the distribution of the given product so it can be recalled, in case the laboratory test indicates a violation.

8. If products are subject to an animal or plant quarantine inspection, in addition to the KFDA certificate, the animal or plant quarantine certificate issued by NVRQS or NPQS is required for product clearance, Inspection by NPQS or NVRQS can take place simultaneously with the KFDA inspection.

9. Starting March 1, 2001, mandatory labeling went into effect for three unprocessed biotech commodities - soybean, bean sprout, and corn, if 3 percent or more of the shipment contains biotech-enhanced ingredients. In March 2002, Ministry of Agriculture and Forestry (MAF) extended its labeling requirement to include unprocessed biotech potato.

10. Starting August 18, 2003, mandatory annual testing requirements went into effect for fresh agricultural food imports. This test for chemical residues costs approximately $2000.

Processed food products are required to have tests conducted every three years provided the same company, same product rule is followed. Which tests are done depend on the food category the product falls under. Typical tests might include those for food moisture levels, microbials, heavy metals and/or acidity levels. The cost depends on how many tests are conducted. These tests can be done by KFDA or by a KFDA recognized laboratory.

F. Labeling Requirements for Processed Food

There are many labeling requirements, such as nutritional labeling requirements, organic labeling requirements, labeling standards for livestock products, labeling regulations for non-processed biotech products, labeling standards for recombinant foods, liquor labeling requirements, and country of origin labeling requirements. For details on these specific labeling requirements please refer to the Food and Agricultural Import Regulations and Standards (FAIRS) Reports – KS3041 dated July 30, 2003.

Korean Language Label: This is a requirement. Korean language stickers may be applied in lieu of Korean language label. The sticker should not be easily removable and should not cover the original labeling. (Please note: the principal display panel must contain the product name, product type and content information. If this is not feasible, such information shall be provided in a Korean language sticker using a 12-point or larger font pitch size.

1. **Product Name:** The label should state the name of the product. The product name should be identical to the product name declared to the licensing/inspection authority.

2. **Product type:** This is mandatory for specially designated products such as teas, health supplementary foods, etc.

3. **Importer's name and address, and the address where products may be returned or exchanged in the event of defects.**

4. **Manufacturing date, month, and year:** This is mandatory for specially designated products such as "lunch box", sugar, liquor and salts. For liquors a manufacturing number (lot number) or bottling date can substitute for the manufacturing date.

5. **Shelf life:** Food products should identify the manufacturer-determined shelf life. If various kinds of products are packaged together, the shelf life date of the product with the shortest life should be applied on the label.

6. **Contents:** Weight, volume or number of pieces (if the number of pieces is shown, the weight or volume must be indicated in parentheses).

7. **Ingredient(s) or raw material(s) and a percent content of the ingredient(s):** The name of the major ingredient must be included on the label as well as the names of at least the next four principle ingredients. These should be listed with the highest percentage first followed by the others. Artificially added purified water does not count as one of the five major ingredients.

8. **Nutrients:** Only special nutritional foods, health supplementary foods, products wishing to carry nutritional labels and products wishing to carry a nutrient emphasis mark are subject to nutritional labeling.

9. **Other items designated by the detailed labeling standards for food et al.:** This includes cautions and standards for use or preservation (e.g., drained weight for canned products, radiation-processed products, etc.).

10. **Country of origin labeling** is required on food products.

The latest revision of the principal display panel regulation, dated May 23, 2003 included mandatory labeling of ten food items considered food allergens. These food items are eggs, milk, buckwheat, peanuts, soybeans, wheat, mackerel, crab, pork, peaches and tomatoes. Any food product that contains one or more of the above ten items as a raw ingredient must indicate the item on the Korean language label. This revision also extended a mandatory nutritional labeling requirement to bread and bread loaf, noodles (cooked noodle, fried noodle and improved cooked noodle only), and retort foods. KFDA will provide a one-year grace period for allergen labeling and nutritional labeling requirements from May 23, 2003.

G. Food Additive Code (Administered by KFDA)

The “Food Additive Code” regulates the use of all food additives in Korea. As of July 2003, Korea had a positive list of 605 approved food additives. Food additives are grouped into three categories: (a) chemical synthetics, (b) natural additives, and (c) mixture substances. Most additives and/or preservatives are approved and tolerance levels are established on a product-by-product basis. Getting a new additive added to the approved list can be time consuming. Even though there may be an established CODEX standard for a given food additive, if that food additive is not registered in the Korean Food Additive Code, or even if registered but usage in a certain food product is not specified, use of that food additive in the given food product is prohibited. This means that only the food additives that are registered in the Korean Food Additive Code are allowed for use in specific food products, in accordance with the usage standards specified in the Food Additive Code.

H. Tariffs

Tariffs vary considerably from product to product. In general, tariff rates are higher for products that are produced domestically. Processed products generally have lower tariffs. Exporters can contact the ATO for specific information on tariff rates.

I. Product Certification

Plant and meat quarantine inspections are very strict in Korea. No plant and meat products will clear Korean Customs without the necessary certificates and required information.

1. **Red Meat Products:** Red meat products must be accompanied by the following FSIS certificates:
    a. FSIS Form 9060-5, Meat and Poultry Export Certificate of Wholesomeness
    b. FSIS Form 9305-4, Certificate for Export of Meat to the Republic of Korea

    Note: Form 9305-4 is a new certificate replacing Form 9305-3. It will be required starting October 1, 2003. This form was changed in response to the BSE outbreak in Canada.

2. **Processed Meat Products:** Processed meat products such as sausages, hamburger patties and ground meat do not need to indicate slaughter information on the FSIS Form 9305-3. These products are required to indicate only processing information. Starting December 1, 2003, the new Form 9305-4 will also be required for these products.

3. **Livestock or Dairy Products:** To get an exemption from quarantine inspection for livestock or dairy products that comply with a pasteurization or sterilization process specified by KFDA, one of following documents shall be furnished:
   a. Health certificate issued by exporting government
   b. Manufacturing process verified by exporting government
   c. Notarized verification document issued by manufacturer

   In response to the BSE issues, Korea has currently banned all ruminant animals and their products originating from 30 European nations, Japan, Israel, and Canada. Korea now requires certification that the imported ruminant or ruminant product did not originate from the countries listed by the Korean government as BSE outbreak nations.
   Certification of a US product from "non-BSE origin countries" can be a statement issued by the U.S. government, or by a private entity that is notarized by a government agency, relevant organization or local Chamber of Commerce.

4. **Poultry Products:** Poultry products must be accompanied by the following two certificates:
   a. FSIS Form 9060-5, Meat and Poultry Export Certificate of Wholesomeness
   b. FSIS form 9305-2A, Certificate for Export of Poultry Meat to the Republic of Korea

5. **Fresh Products:** Fresh fruits, vegetables and nuts (except walnuts) must be accompanied by:
   a. Phytosanitary Certificate, PPQ Form 577, issued by USDA/APHIS (Animal & Plant Health Inspection Service)
   b. Some fresh products are prohibited and others require additional documentation besides Form 577. NPQS should be consulted about specific documentation for each particular product.

   The issuance date of the phytosanitary certificate shall be prior to the departure date listed on the Bill of Lading. In order to prevent unnecessary delays at the port of entry, it is further suggested that the certificate issuance date be prior to the departure date of shipments. In any case, the inspection date on a certificate must be prior to the departure date.

6. **Frozen Fruits and Vegetables** must be accompanied by either one of the following:
   a. Certificate of Quality and Condition, Form FV-146CS issued by USDA/AMS (Agricultural Marketing Service)
   b. Export Certificate PPQ Form 578, issued by USDA/APHIS

7. **Vacuum Packed Shelled Walnuts** must be accompanied by a Phytosanitary Certificate, PPQ Form 577, issued by USDA/APHIS

J. StarLink-Free Certification

In December 2000, after KFDA detected StarLink protein in U.S. corn shipments, imported food-grade corn and corn-based food products were required to arrive with a StarLink-free certification issued by the exporting country. For bulk corn shipments, such certification should be issued by GIPSA(Grain Inspection and Stockyards Administration)/USDA or an accredited lab to minimize potential problems during inspection clearance. For processed food products containing corn as one of its ingredients, certification can be met with a letter, statement or certificate issued by the manufacturer or the exporter stating the raw corn ingredient was "StarLink-free." All US origin food grade corn and corn-based products must be accompanied by a StarLink-free certification at port of entry.

K. Minimum Amount of the Initial Commercial Shipment

On May 15, 2000, KFDA issued a revision to the "Guideline for Inspection of Imported Food Products." In the revision, KFDA added a clause limiting the minimum amount of the initial commercial shipment which it would inspect directly. When the quantity of the imported food is less than 100 kg, the imported food is required to be inspected by a KFDA-recognized inspection organization other than regional KFDA office or National Quarantine Services. Importers shall be responsible for charges associated with import inspection. Detailed information is available from the KFDA's English website - http://www.kfda.go.kr.

L. Copyright and/or Trademark Laws

The Korea Industrial Property Office is responsible for registration of trademarks and for review of petitions related to trademark registration. In accordance with the Trademark Law, the trademark registration system in Korea is based on "first-to-file." A person who registers a trademark first has a preferential right to that trademark and the person who has a right over the trademark is protected by the Law. In order to prevent any trademark dispute, U.S. companies wishing or planning to conduct business in Korea are strongly recommended to register trademarks first.

M. U.S. Laboratories Authorized to Inspect on Behalf of the Korean Government (KFDA)

KFDA operates a program that recognizes foreign laboratories as official testing laboratories. This program aims to enhance the efficiency of conducting the inspection of imported food. KFDA approves foreign laboratories and recognizes inspection certificates or certificates of laboratory test results issued by these approved laboratories. As of now, there are two U.S. laboratories that have been approved as authorized foreign laboratories by KFDA. They are:

1. **Oregon Department of Agriculture's Export Service Center**
   The Oregon Department of Agriculture's Export Service Center (ESC) is a one-stop technical assistance center for U.S. food manufacturers and exporters. It is designed to reduce obstacles for exporting products. The ESC has been certified by the KFDA to do food related testing, such as residue and microbiological testing on food and beverage products, and food package testing bound for Korea. The ESC offers a range of technical services, including product evaluation and certification. For more information on the services which the Export Service Center provides contact:

   Oregon Department of Agriculture
   Export Service Center
   1200 N.W. Naito Parkway, Suite 204
   Portland, Oregon 97209-2835
   Tel: 503-872-6644 Fax: 503-872-6615
   E-mail: esc-food@oda.state.or.us
   Website: www.oda.state.or.us

2. **Omic USA Inc.**

   Omic USA is the second U.S. laboratory to be recognized by the Korea Food & Drug Administration as an official foreign testing laboratory. Omic USA conducts the same function as ESC mentioned above.

   Omic USA Inc.
   Mr. Ryuichi Kurosawa, President
   1200 N.W. Naito Parkway

Portland, Oregon 97209
Tel: 503-224-5929 Fax: 503-223-9436
E-mail: info@omicusa.com
Website: www.omicnet.com/omicusa

N. Documents Generally Required for Customs Clearance and Inspections

1. Invoice
2. Bill of Lading, or Airway Bill
3. Packing List
4. Certificate of Origin (not required if there is "Made in USA" on the label.)
5. Ingredient List
6. Processing Method
7. Certificate of Production Date
8. Packing Material (not required for bottles, cans and paper packages)
9. Non-biotech (certification (for corn, soybeans and potatoes)
10. Sanitary certificate (for meat, fruit, nuts, vegetables, plants, grains, etc.)

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

A. Retail Food Sector

The liberalization of mass retail business ownership in 1996 to enable foreign participation, and the restructuring of the retail sector after the 1997 IMF crisis, resulted in a rapid growth of hypermarkets, convenience stores and chain supermarkets at the expense of the traditional wet markets and the "mom and pop" grocery stores. The size of the overall retail market in Korea is estimated at ₩153 trillion (approximately $128 billion) in 2001.

Table 3: Size of the Retail Market and Retail Food Sales (2001)

Segment	Total Retail Sales		Food Retail Sales	
	Amount	Share	Amount	Share
Dept. Stores	₩15.8 trillion	10.3%	₩2.9 trillion	6.1
Hypermarkets	₩13.8 trillion	9.0%	₩7.5 trillion	15.8
Supermarkets	₩4.9 trillion	3.2%	₩3.9 trillion	8.2
Convenience	₩1.7 trillion	1.1%	₩1.0 trillion	2.1
Direct Sales	₩5.3 trillion	3.5%	₩0.5 trillion	1.1
Traditional Mrkts	₩11.5 trillion	73.0%	₩31.8 trillion	66.7
TOTAL	₩153 trillion	100.0%	₩47.5 trillion	100

There are several types of retail sectors that handle foods and agricultural products. They are: general market place (conventional open air markets), periodic market places in rural areas (normally open once every 5 days), department stores/shopping centers, supermarkets (super chain companies and several thousand independent small supermarkets and outlets), convenience stores, mom and pop stores, National Agricultural, Fishery and Livestock Cooperative Federation Stores and discount stores or membership warehouse type stores. Most retailers purchase imported food products from importers and/or wholesalers. Few retailers import food products directly. U.S. exporters should contact distributors and importers, along with retailers.

Currently, the customs clearance process is so cumbersome and costly that it is generally not cost effective to bring in mixed container loads. Instead distributors bring in full containers of a particular product, storing it in country or distribute it to retailers or other distributors. Retailers are not likely to import directly unless they have a warehouse facility. This situation is not expected to change in the near future.

1. Department Stores/Shopping Centers. According to the Korea Chamber of Commerce and Industry (KCCI), the average annual sales per store of 86 department stores/shopping centers surveyed increased by 12.9 percent to $176.4 million in 2002. In those sales food and beverage accounted for 15.1 percent in 2002. The three department stores in Korea: Lotte (15 stores), Hyundai (12 stores) and Shinsegae (7 stores) which dominated account for 71 percent of the total market. This type of retail outlet is expected to grow about 10 percent per year.

2. Supermarkets. The average annual sales of the 1,140 supermarkets in seven major cities surveyed by the KCCI also increased by 10.5 percent to $2.2 million in 2002. Of the average annual sales per outlet, food sales accounted for 79.7 percent The major players in this market are LG Supermarket, Hanhwa Store and Haitai Supermarket. This type of outlet is expected to grow about 5-10 percent per year.

3. Convenience Stores. According to the KCCI report, there were 5,491 outlets belonging to seven largest convenience store companies in 2002, up from 3,753 stores in 2001. The total sales of those seven companies were $2.2 billion in 2002, up from $1.46 billion in 2001, and the average annual sales per store was $370,500 in 2002. Of the total sales, food and beverage sales accounted for 58.6 percent in 2002, compared to 59.5 percent in 2001. This sector is expected to grow about 20 percent per year over the next few years as the number of outlets increases.

4. Discount Stores. This is one of the fastest growing segments in the retail sector. The average annual sales of the 233 discount stores surveyed by the KCCI in 2002 amounted to $70.2 million, up from $66.3 million in 2001. Of the average annual sales per store, food and beverage products accounted for 49.7 percent. Imported goods, including food, accounted for 10.7 percent in 2002, compared to 10.4 percent in 2001. Of imported goods, imported food accounted for 55.8 percent. This sector sales are expected to grow significantly, about 20 percent per year over the next couple of years, as the number of outlets increases.

For further detailed information on the retail food sector in Korea, please refer to the Retail Sector Report KS3006 dated February 5, 2003.

B. Hotel, Restaurant and Institutional (HRI) Industry

The expansion of incorporated restaurant chains and consumers increasing demand for new and international tastes, quick service and quality foods have a fueled a rapid growth and diversification of the food service sector in recent years.

The monthly average amount spent on eating outside the home has continued a steady rise. In 2002, it on average reached ₩201,500 per household ($161, up 38 percent from ₩146,400 won ($123) in 1999. Each Korean household spent 44% of its total food expenditure eating outside of the home in 2002. Although the total food expenditure has gradually been declining relative to total consumer spending, eating out has consistently increased in share of both food expenditure and total spending over the past decade.

The food service sector garnered approximately ₩35.8 trillion in sales in 2000, up 6.5 percent from ₩33.6 trillion in 1999. While industry data is not available, contacts estimate that the sector continues to grow 4-5 percent annually. The number of food service businesses increased, reaching 570,576 in 2000 with total 1.43 million employees. However, 95.3 percent of the businesses in the sector are family-owned, mom-and-pop restaurants that hire less than 5 employees. In addition, about 65 percent of the sector earned less than ₩49.5 million in annual sales.

Table 4 - Profiles of Major Western Fast Food Restaurant Chains

Year - 2002 Name of Company	Brand	Sales	Number of Outlets
Lotte	Lotteria	$425 Million	850
Shinmac & Mackim	McDonald's	$224 Million	361
Genesis	BBQ	$248 Million	1,350
Doosan	KFC	$200 Million	226
	Burger King	$74 Million	114
TS Haemaro	Popeye's	$104 Million	211
Sejin Food System	Hardies	$12 Million	21

Source: Korea Food Distribution Yearbook 2003

The growth of the food service sector in recent years has been mainly driven by the expansion of incorporated businesses operating chain restaurants of various formats, including family restaurants, fast food restaurants, bars and institutional restaurants. In addition, the sector has diversified rapidly with a variety of new-to-market cuisines and recipes

The outlook for U.S. food exports to this sector is excellent, especially for beef, pork, poultry, seafood, vegetables and fruits (frozen, dehydrated and canned), dairies, alcoholic beverages, sauces and spices, bakery ingredients, prepared foods and organic foods.

For further detailed information on the hotel, restaurant and institutional industry in Korea, please refer to the HRI Food Service Sector Market Brief - KS2041 dated September 5, 2002.

C. Domestic Food Processing Sector

The Korean food and beverage manufacturing and processing industry is a major consumer of imported raw materials, intermediate products, ingredients and additives. Imports are necessary to support the processing industry because local production cannot meet the demand. Except for rice and certain dairy products, of which there is a large surplus, Korea imports almost all types of agricultural products for processing. Corn, soybeans, wheat, essential oils, frozen concentrated orange juice, turkey meat, duck meat, almonds, walnuts, powdered milk, whey powder and beef tallow are good examples of the raw materials or ingredients imported into Korea for use in food processing. U.S. suppliers have a strong opportunity to export raw materials or ingredients for use in food processing in Korea.

Table 5: Total Output of the Korean Manufacturing Sector (2001)

Processing Sectors		
Grain, Starch, Feed	23.2%	$7.2 billion
Dairy	10.3	$3.2 billion
Livestock, Fruit, Vegetable and Fat	23.2%	$7.2 billion
Beverage and Alcohol	14.9%	$4.6 billion
Other including Bakery and Candy	28.4%	$8.8 billion

Source: Report on Mining and Manufacturing Survey, Dec. 2002

Most Korean food and beverage manufacturers are small-scale companies. As of the end of 2001, there were 6,985 food, livestock, dairy and beverage manufacturing plants with five or more employees. Of these, there are only 23 manufacturers with 500 employees or more as shown on the following table. Only 4.2 percent (291 manufacturers) have 100 or more employees.

Table 6: Employment Size of Food and Beverage Manufacturers (2001)

Number of Employees	Number of Manufacturers	Percent
5 - 9	3,413	48.9%
10- 19	1,653	23.7%
20- 49	1,189	17.0%
50- 99	439	6.3%
100-199	174	2.5%
200-299	63	0.9%
300-499	31	0.4%
500 and over	23	0.3%
Total	6,985	100%

D. Trends in Holiday Sales and Internet Sales

There are two major sales holidays in Korea when sales dramatically increase: the three-day Lunar New Year Holiday will take place on January 21, 22 and 23, 2004, and the three-day Chusok (Korean Thanksgiving) holiday will take place on September 27, 28 and 29, 2004. During these holidays, many Koreans give gifts to their relatives, friends and business associates. Beef ribs, fruits and other high value food products are popular during these holidays.

TV home shopping and Internet sales are becoming popular and increasing rapidly. The Food Distribution Yearbook 2003 (Food Journal) indicates that total home shopping sales reached $4.48 billion and Internet sales reached $5.75 billion in 2002. Of these sales, food products made up 17.8 percent for TV home shopping and 13.5 percent for Internet shopping.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Product Category	2002 Market Size (1,000 mt)	2002 Imports Volume: (1,000 mt) Value: ($ Million)	5 Yr. Avg. Annual Import Growth Total: U.S.:	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Red meat	1,359	109 $1,054	34.8% 44.8%	Beef: 40.5% Chilled Pork: 23.2% Frozen Pork: 26.1%	Consumers state they prefer domestic.	U.S. strong in supplying all types of cuts due to price and quality competitiveness.
Poultry Meat	386	439 $101	44.3% 51.3%	*18.6-21.5%	Not manually trimmed.	Price-competitive in case of chicken legs
Citrus	880	109 $95	36.5% 35.7%	Orange: 54.9% Grapefruit: 32% Lemon: 32%	High tariff rates and quality variable.	Tariff for oranges will decline in 2004 from 54.9% to 50%. U.S. is the predominant supplier.
Offals & Guts	NA	69 $137	44.3% 47%	Offals: 18.2-18.6% Guts: 27.9%	Not easy to meet local importers' specifications	Product not consumed domestically in the U.S., but demand in Korea for food use is quite high and steady.
Hay & Fodder	NA	576 $103	53.5% 71.3%	Alfalfa: 1% Others: 5-101.6%	Tariff quotas apply except for alfalfa	U.S. product is considered high quality
Chocolate	$293 mil	31 $93	19.5% 22.4%	8%	Low image for design and quality for high quality product	Competitive in prices and design for medium quality products
Frozen and Processed Vegetables	NA	151 $121	14.3% 30.8%	*8-30%	High prices compared to competitors	U.S. product is considered high quality
Wine	NA	12 $29	52% 60.8%	15%	Fewer varieties than French; higher prices than Chilean and Australian wines	Consumption is growing rapidly
Fish and Seafood	3,212	1,110 $1,820	40% 21.9%	*10-20%	US prices are higher than those of competitors	Good quality
Almonds	5	5 $17	8.3% 7.7%	8%	Demand is limited	High profile and high quality
Sauces	NA	54 $74	21.9% 13.4%	8%	US bottles are a little too big for consumers.	High quality
Pet Food	405	28 $36	44.6% 24%	5%	High prices	Demand increasing
Horses	NA	638 heads $7	55.8% 424.6%	8%	Market is still small.	Korean will open another race track in 2004 expanding the market.

*The tariff rates are different depending upon the product, and for some fish there are adjustment tariffs which are a lot higher than the above. For accurate tariff rates, please contact ATO Seoul.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

For further information about the Korean agricultural market, please contact:

U.S. Agricultural Trade Office
Korean Address: Room 303, Leema Building, 146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address: US Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550
Telephone: 82-2 397-4188 Fax: 82-2 720-7921
E-mail: atoseoul@fas.usda.gov
Website: www.atoseoul.com

Agricultural Affairs Office
Korean Address: U.S. Embassy, 82, Sejong-ro, Chongro-ku, Seoul, Korea
U.S. Mailing Address: US Embassy Seoul, Unit 15550-AgAff, APO, AP 96205-5550
Telephone: 82-2 397-4297 Fax: 82-2 738-7147
E-mail: agseoul@usda.gov

For more information on how you can register for USDA/FAS's Supplier List:

The United States Department of Agriculture's Foreign Agricultural Service (USDA/FAS) offers information and services that can be beneficial to both new and experienced exporters. For example, the U.S. Suppliers Service is a searchable database of over 5,000 U.S. exporters and their products, which is used by USDA/FAS to help facilitate connecting potential buyers with U.S. suppliers. This database is used by more than 85 USDA FAS Overseas offices, such as the ATO in Seoul, Korea to help export agents, trading companies, importers and foreign market buyers locate U.S. suppliers. It is also used to recruit U.S. exporters to participate in market development activities sponsored by USDA and federal export programs.

You can register online for this service at **http://www.fas.usda.gov/agexport/exporter.html**

AgConnections Team
AgExport Services Division, Foreign Agricultural Service, Washington, DC
Phone: 202-690-4172 Fax: 202-205-2963
E-mail: joyce.estep@fas.usda.gov
Website: www.fas.usda.gov/agx/agx.html

For further information about sanitary and phytosanitary requirements, please contact:

U.S. Animal Plant and Health Inspection Service
Room 303, Leema Building, 146-1, Susong-dong, Chongro-ku, Seoul, Korea
Telephone: 82-2 725-5495 Fax: 82-2 725-5496
E-mail: aphis@kornet.net
Website: www.aphis.usda.gov

For information about activities by Strategic Trade Regional Groups, please contact:

Mid-America International Agri-Trade Council (MIATCO)
400 West Erie Street, Suite 100, Chicago, Illinois 60610
Telephone: 312-944-3030 Fax: 312 944-1144
E-mail: eriggs@miatoco.org
Website: www.miatco.org

Western United States Agricultural Trade Association
2500 Main Street, Suite 110, Vancouver, WA 98660-2697, USA
Phone: 360-693-3373 Fax: 360-693-3464
E-mail: bruce@wusata.org
Website: www.wusata.org

Eastern United States Agricultural & Food Export Council
150 S. Independence Mall West, 1036 Public Ledger Building, Philadelphia, PA 19106, USA
Phone: 215-829-9111 Fax: 215-829-9777
E-mail: jcanono@foodexportusa.org
Website: www.foodexportusa.org

Southern United States Agricultural Trade Association
2 Canal Street Suitge 2515, New Orleans, LA 70130, USA
Phone: 504-568-5986 Fax: 504-568-6010
E-mail: jim@susta.org
Website: www.susta.org

For information on the commercial and industrial products in Korea, please contact:

Foreign Commercial Service
Korean Address: U.S. Embassy, 82, Sejong-ro, Chongro-ku, Seoul, Korea
U.S. Mailing Address: US Embassy Seoul, Unit 15550-FCS, APO, AP 96205-5550
Telephone: 82-2 397-4535 Fax: 82-2 739-1628
E-mail: Seoul.office.box@mail.doc.gov Homepage: www.buyusa.gov/korea

APPENDIX I. STATISTICS

Table A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%) 1/	12,903/25.4
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%) 1/	3,474/38.8
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) 1/	1,820/9
Total Population (Millions) / Annual Growth Rae (%)	48/ 0.6
Urban Population (Millions) / Annual Growth Rate (%) 2/	36.8/1
Number of Major Metropolitan Areas 3/	7
Size of the Middle Class (Millions) / Growth Rate (%) 4/	N/A
Per Capita Gross Domestic Product (U.S. Dollars) 5/	$10,013
Unemployment Rate (%)	3.1%
Per Capita Food Expenditures (U.S. Dollars) 6/	$384
Percent of Female Population Employed 7/	48.4
Exchange Rate (US$ = Korean won) 8/	1,251.2

All data are for 2002 unless otherwise noted.

Foot Notes
1/ Korea Trade Information Service (KOTIS)
2/ Urban population in 2000 and average annual growth rate between 1995 and 2000
3/ Population in excess of 1,000,000
4/ Official data is not available
5/ Per capita Gross National Income-preliminary, GDP is not available
6/ Average monthly household expenditures in cities on food and beverage
7/ Percent of women employed against total number of women (15 years old or above)
8/ Average annual exchange rate of won against the U.S. dollar in 2002

Table B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
CONSUMER-ORIENTED AGRICULTURAL PRODUCT TOTAL	2708	2607	NA	1087	976	NA	40%	37%	NA
Snack Foods (Excl. Nuts)	106	117	NA	30	27	NA	28%	23%	NA
Breakfast Cereals & Pancake Mix	6	5	NA	1	1	NA	17%	20%	NA
Red Meats, Fresh/Chilled/Frozen	1054	734	NA	549	375	NA	52%	51%	NA
Red Meats, Prepared/Preserved	35	42	NA	18	18	NA	51%	43%	NA
Poultry Meat	74	100	NA	47	48	NA	64%	48%	NA
Dairy Products (Excl. Cheese)	97	109	NA	18	19	NA	19%	17%	NA
Cheese	71	88	NA	12	14	NA	17%	16%	NA
Eggs & Products	14	18	NA	6	8	NA	43%	44%	NA
Fresh Fruit	181	188	NA	71	84	NA	39%	45%	NA
Fresh Vegetables	29	35	NA	1	1	NA	3%	3%	NA
Processed Fruit & Vegetables	301	309	NA	98	99	NA	33%	32%	NA
Fruit & Vegetable Juices	95	87	NA	26	28	NA	27%	32%	NA
Tree Nuts	21	28	NA	18	23	NA	86%	82%	NA
Wine & Beer	25	35	NA	5	8	NA	20%	23%	NA
Nursery Products & Cut Flowers	29	30	NA	1	1	NA	3%	3%	NA
Pet Foods (Dog & Cat Food)	14	20	NA	9	12	NA	64%	60%	NA
Other Consumer-Oriented Products	557	663	NA	178	211	NA	32%	32%	NA
FISH & SEAFOOD PRODUCT TOTAL	1338	1585	NA	138	149	NA	10%	9%	NA
Salmon	23	20	NA	1	2	NA	4%	10%	NA
Surimi	96	112	NA	52	63	NA	54%	56%	NA
Crustaceans	220	253	NA	7	9	NA	3%	4%	NA
Groundfish & Flatfish	481	593	NA	60	57	NA	12%	10%	NA
Molluscs	121	156	NA	1	1	NA	1%	1%	NA
Other Fishery Products	395	451	NA	17	17	NA	4%	4%	NA
AGRICULTURAL PRODUCTS TOTAL	8064	8038	NA	2814	2891	NA	35%	36%	NA
AGRICULTURAL, FISH & FORESTRY TOTAL	10970	11195	NA	3123	3197	NA	28%	29%	NA

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C. TOP 15 SUPPLIERS OF CONSUMER FOODS AND EDIBLE FISHERY PRODUCTS

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400

Reporting Country: Korea, Republic of Top 15 Ranking	Import		
	2000	2001	2002
	1000$	1000$	1000$
United States	1,087,106	976,328	NA
China (Peoples Republic of)	266,090	309,578	NA
Australia	235,467	229,599	NA
New Zealand	97,632	112,934	NA
Philippines	105,959	103,257	NA
Thailand	45,864	90,060	NA
Japan	81,534	84,466	NA
Canada	111,376	73,591	NA
Netherlands	96,260	72,616	NA
France	92,885	71,075	NA
Belgium	14,562	58,413	NA
Denmark	89,832	57,887	NA
Brazil	44,443	37,863	NA
Taiwan (Estimated)	29,329	37,553	NA
Germany	31,505	34,750	NA
Other	278,348	257,357	0
World	2,708,198	2,607,343	0

NA - Data not available (not reported) Data: Harmonized Tariff Schedule (HS 6 Digit)

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table D. FISH & SEAFOOD PRODUCTS - 700

Reporting Country: Korea, Republic of Top 15 Ranking	Import		
	2000	2001	2002
	1000$	1000$	1000$
China (Peoples Republic of)	478,813	628,631	NA
Russian Federation	122,063	152,419	NA
United States	138,188	148,513	NA
Japan	165,675	132,630	NA
Vietnam	71,957	101,443	NA
Thailand	66,986	82,993	NA
Taiwan (Estimated)	31,173	45,600	NA
Norway	17,792	24,957	NA
Canada	18,461	24,511	NA
Indonesia	27,052	24,133	NA
Mexico	23,686	16,513	NA
United Kingdom	13,836	16,298	NA
India	11,314	16,226	NA
New Zealand	15,640	15,687	NA
Philippines	13,309	14,748	NA
Other	121,653	139,932	0
World	1,337,596	1,585,246	0

NA - Data not available (not reported) Data: Harmonized Tariff Schedule (HS 6 Digit)

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office