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Global Analysis Report

Market Overview

South Korea

October 2017

Market snapshot

- South Korea had a gross domestic product (GDP) of US$1.4 trillion in 2016, which is expected to grow by 2.8% in 2017.
- In 2016, South Korea was the twenty seventh most populous country in the world with 50.8 million people. The population is expected to grow by 1.4 million by 2030.
- Annual consumer expenditure was US$12,681 per capita in 2016, and is expected to increase by 1.7% in 2017. Food and non-alcoholic beverages represented US$1,683 or 13.2% of that total.
- The consumer foodservice industry is expanding alongside a rising middle-class population, and is forecasted to reach a total sales value of US$78.8 billion in 2017.
- With growing disposable incomes, South Korean consumers are seeking products that offer convenience. Packaged food sales continue to grow steadily, and are expected to reach a value of US$21.7 billion by the end of 2017.
- The top packaged food company in the market is currently Lotte Group with a 9.4% value share, followed by Nong Shim Co Ltd (6.5%) and by CJ Cheiljedang Corp (5.8%).
- South Korea has concluded free-trade agreements (FTAs) with at least 45 countries and expects negotiations with China and Vietnam to be concluded soon. If all these agreements come into effect, South Korea will be engaged in free trade with countries representing more than 70% of the global economy.

CONTENTS

Related reports

Business environment South Korea

Overview of e-commerce trends in South Korea

Market opportunity South Korea

Growing Forward 2

Canada

Trade

- South Korea is a net importer of agri-food and seafood products. In 2016, South Korea's agri-food and seafood trade deficit was C$27.1 billion with imports valued at C$37.2 billion, and C$10.1 billion in exports. South Korea's agri-food and seafood imports increased by 3.0% from the previous year, and by a CAGR of 7.8% between 2012 and 2016.

- South Korea's top agri-food and seafood imports in 2016 were corn, frozen pork, food preparation, wheat and meslin and frozen boneless beef. Key supplying countries were the United States, China, Australia, Brazil, and Vietnam. Canada was South Korea's tenth-largest supplier of total agri-food and seafood products in 2016, with a 2.1% share.

South Korea's top agri-food & seafood imports from the world, 2016

Commodity	Import value C$ millions	Top suppliers & market share			Canada's share
		1	2	3	
Corn	2,510.3	United States 43.4%	Brazil 25.7%	Argentina 15.3%	0.0%
Frozen pork	1,547.7	United States 28.6%	Germany 20.9%	Spain 14.7%	4.4%
Food preparations	1,373.2	United States 60.3%	New Zealand 5.9%	Canada 3.9%	3.9%
Wheat and meslin	1,333.6	United Sates 28.8%	Australia 26.4%	Ukraine 25.0%	3.8%
Frozen boneless beef	1,295.7	Australia 57.5%	United States 35.3%	New Zealand 4.5%	0.6%
Soybean oilcake	1,034.3	Brazil 71.8%	Argentina 19.8%	India 3.4%	0.0%
Raw cane sugar	894.0	Australia 94.0%	Thailand 5.2%	Brazil 0.03%	0.0%
Soya beans	790.6	United States 48.8%	Brazil 32.4%	Paraguay 10.7%	2.4%
Frozen fish	773.3	China 52.4%	Senegal 9.0%	Taiwan 7.9%	0.05%
Frozen bone in beef	755.4	United States 71.4%	Australia 18.4%	New Zealand 7.3%	2.5%

Source: *Global Trade Atlas, February 2017*

- South Korea's processed food* imports were valued at C$15.6 billion in 2016. Canada's share was 1.7%. The United States, China, Australia, Germany and the Philippines were the largest suppliers of processed food to South Korea in 2016, providing 64.5% of the market. South Korea's processed food imports increased by a CAGR of 13.5% between 2014 and 2016 and by a CAGR of 22.3% from Canada during the period.

- South Korea's imports of agri-food and seafood products from Canada were valued at C$784.8 million in 2016. Top imports were canola oil, frozen pork, lobster, oil seeds and food preparations. In 2016, Canada registered an agri-food and seafood trade surplus of C$668.4 million with South Korea.

**Based on USDA agri-food consumer oriented BICO definition*.

Foodservice

Eating at restaurants, cafes, bars and fastfood are popular in South Korea because people get food without having to spend time on shopping and preparation.

Consumer foodservice sales in South Korea
historic and forecast in US$ millions, fixed 2017 exchange Rate

Category	2014	2015	2016	2017F	2018F	CAGR* % 2014-18
Consumer foodservice by type	**70,835.1**	**74,744.9**	**78,823.4**	**83,081.2**	**87,455.6**	**5.4**
Full-service restaurants	45,446.4	48,211.7	50,882.2	53,505.1	56,113.5	5.4
Cafés/bars	13,650.2	13,908.8	14,370.6	15,028.5	15,769.0	3.7
Fast food	9,424.2	10,138.9	10,890.7	11,657.2	12,439.9	7.2
100% Home delivery/takeaway	2,088.9	2,258.3	2,451.5	2,661.0	2,903.3	8.6
Street stalls/kiosks	168.9	169.3	169.2	168.7	167.7	-0.2
Self-service cafeterias	56.5	57.9	59.3	60.8	62.3	2.5

Source for both: *Euromonitor International 2017* ****CAGR:*** *Compound Annual Growth Rate*

Retail sales

Packaged food sales increased by a CAGR of 1.2% from 2012 to 2016, with a further increase of 2.0% forecasted to 2021. Within this category, from 2012 to 2016, the best performing segment was ready meal category, registering a CAGR of 29.5%, followed by savoury snack at 4.7%. Convenience remains an important factor driving the eating habits of South Korean with busy lifestyles. Packaged food companies and other food manufacturers are focusing on developing more convenient and healthier food products.

Packaged food retail sales in South Korea
historic in US$ millions, fixed 2016 exchange rate

Category	2012	2013	2014	2015	2016	CAGR* % 2012-16
Packaged food	20,244.4	20,608.3	20,559.1	20,917.4	21,248.0	1.2
Baked goods	1,441.5	1,455.8	1,468.1	1,456.6	1,499.3	1.0
Breakfast cereals	212.8	209.7	183.6	143.7	139.5	-10.0
Edible oils	406.4	388.1	392.2	407.1	418.2	0.7
Processed fruit and vegetables	66.5	67.6	67.0	67.5	68.8	0.9
Processed meat and seafood	2,186.0	2,252.1	2,286.6	2,314.9	2,344.8	1.8
Ready meals	217.0	281.1	332.3	434.5	610.2	29.5
Rice, pasta and noodles	5,032.2	4,977.5	4,872.9	4,873.7	4,855.7	-0.9
Sauces, dressings and condiments	1,180.0	1,199.3	1,215.9	1,262.7	1,285.7	2.2
Soup	75.9	76.3	80.3	81.9	88.8	4.0
Spreads	144.2	143.1	144.7	150.0	156.3	2.0
Baby food	488.4	439.0	429.2	432.2	425.7	-3.4
Confectionery	1,148.7	1,180.7	1,241.5	1,279.9	1,318.3	3.5
Dairy	4,331.5	4,482.2	4,378.0	4,388.0	4,435.9	0.6
Ice cream and frozen desserts	1,814.8	1,798.2	1,725.4	1,707.8	1,657.6	-2.2
Savoury snacks	1,214.3	1,343.5	1,415.1	1,604.2	1,458.9	4.7
Sweet biscuits, snack bars and fruit Snacks	812.8	887.0	890.7	841.1	821.4	0.3%

Source: *Euromonitor International, 2017* ****CAGR:*** *Compound Annual Growth Rate*

The South Korean consumer market is highly developed and Western-style foods are growing in popularity.

Packaged food retail sales in South Korea
forecast in US$ millions, fixed 2016 exchange rate

Category	2017	2018	2019	2020	2021	CAGR* % 2017-21
Packaged food	21,706.0	22,167.3	22,626.9	23,042.4	23,454.1	2.0
Baked goods	1,550.1	1,597.5	1,642.2	1,682.9	1,722.5	2.7
Breakfast cereals	140.5	143.7	148.2	153.4	158.8	3.1
Edible oils	434.2	450.4	466.6	482.2	497.7	3.5
Processed fruit and vegetables	71.1	73.6	76.1	78.6	81.1	3.3
Processed meat and seafood	2,404.2	2,476.4	2,555.2	2,632.9	2,711.5	3.1
Ready meals	757.1	860.5	927.2	971.5	1,006.1	7.4
Rice, pasta and noodles	4,858.0	4,895.2	4,944.5	4,990.5	5,039.1	0.9
Sauces, dressings and condiments	1,323.8	1,360.7	1,399.1	1,435.5	1,471.3	2.7
Soup	94.4	99.5	104.5	109.0	113.8	4.8
Spreads	163.1	169.6	175.9	181.8	187.5	3.5
Baby food	412.9	420.4	429.2	436.8	443.6	1.8
Confectionery	1,334.2	1,374.7	1,422.6	1,471.5	1,521.1	3.3
Dairy	4,393.6	4,456.5	4,535.0	4,616.1	4,701.3	1.7
Ice cream and frozen desserts	1,585.4	1,521.1	1,480.6	1,446.5	1,415.9	-2.8
Savoury snacks	1,396.6	1,370.8	1,361.7	1,357.2	1,357.2	-0.7
Sweet biscuits, snack bars and fruit snacks	821.3	823.7	828.5	833.8	838.9	0.5

Source: *Euromonitor International, 2017* ****CAGR:*** *Compound Annual Growth Rate*

Packaged health and wellness food products

The aging population and increasing health consciousness of South Koreans are having a positive effect on the health and wellness sector, which experienced a CAGR of 2.5% from 2012 to 2016 and will continue to grow by a CAGR of 3.0% from 2017 to 2021.

Packaged health and wellness food products retail sales in South Korea
historic in US$ millions, fixed 2016 exchange rate

Category	2012	2013	2014	2015	2016	CAGR* % 2012-16
Total health and wellness by type	6,053.4	6,260.6	6,301.5	6,487.4	6,682.3	2.5
Better for you (BFY)	298.9	326.2	358.3	389.1	414.8	8.5
Fortified/Functional (FF)	3,323.8	3,321.6	3,220.3	3,227.4	3,236.4	-0.7
Free from	408.4	399.8	349.9	333.3	320.8	-5.9
Naturally healthy (NH)	1,921.5	2,069.0	2,218.4	2,377.7	2,544.7	7.3
Organic	100.8	144.0	154.5	160.0	165.5	13.2

Source: *Euromonitor International, 2017* ****CAGR:*** *Compound Annual Growth Rate*

South Korean consumers have become increasingly knowledgeable about food ingredients and nutrition. They can directly check ingredients through their smartphones if manufacturers make fortified/functional claims on the packaging. Also, consumers already have knowledge about the regulations of organic food, the recommended intake of caffeine, sugar, sodium etc. As a result, manufacturers tend to include as much information as possible on the packaging even if the information is in technical terms.

Packaged health and wellness food products retail sales in South Korea

historic in US$ millions, fixed 2016 exchange rate

Categories	2017	2018	2019	2020	2021	CAGR* % 2017-21
Health and wellness by type	6,928.1	7,167.0	7,396.8	7,605.0	7,804.5	3.0
Better for you (BFY)	440.6	465.2	489.1	511.4	533.3	4.9
Fortified/functional (FF)	3,294.6	3,359.4	3,431.3	3,503.3	3,576.6	2.1
Free from	316.0	312.1	309.9	308.6	309.0	-0.6
Naturally healthy (NH)	2,703.7	2,848.9	2,977.2	3,085.2	3,182.0	4.2
Organic	173.2	181.4	189.2	196.5	203.7	4.1

Source: *Euromonitor International, 2017* ****CAGR:*** *Compound Annual Growth Rate*

Euromonitor predicts that the health and wellness sector will continue to show growth in the years ahead, and that manufacturers will provide more information about the ingredients they use, the production process, the products origin and the recommended portions. It is expected that food processors will simplify their labels to make them more understandable in an effort to attract more and new consumers.

Online grocery shopping

In recent years, busy households have driven considerable growth in the popularity of online grocery retailers, which offers consumers significant convenience and saves time. According to Euromonitor, between 2011 and 2016, value sales of food and drink internet retailing increased by 97% (a growth rate greater than that of internet retailing overall), reaching almost C$400.00 per household in 2016. In 2016 value sales of food and drink via e-commerce channels accounted for 13% of total value sales of internet retailing.

While consumers initially embraced the ‘cross-channel’ online options offered by established groceries chains such as Tesco’s HomePlus service on subways allowing commuters to scan grocery items with their mobile phones and have them delivered to their homes; many now prefer services such as Coupang and Tmon which focus on quickly delivering fresh food.

In coming years, it is projected that food and drink internet retailing will continue to grow, based on continued lower prices and improved services generated by intense competition in the sector.

For more information

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- Overview of Trade Commissioner Services in South Korea
- Agriculture and Food Trade Commissioner Service

For additional intelligence on this and other markets, the complete library of Global Analysis reports can be found under International market intelligence at the following link:

- Agri-Food Trade Service www.ats-sea.agr.gc.ca

Resources

Euromonitor International (2017).

Global Trade Tracker (2017). Import and export statistics – South Korea.

World Bank (2017).

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