

MARKET INTELLIGENCE UPDATE

South Korea, July 2023

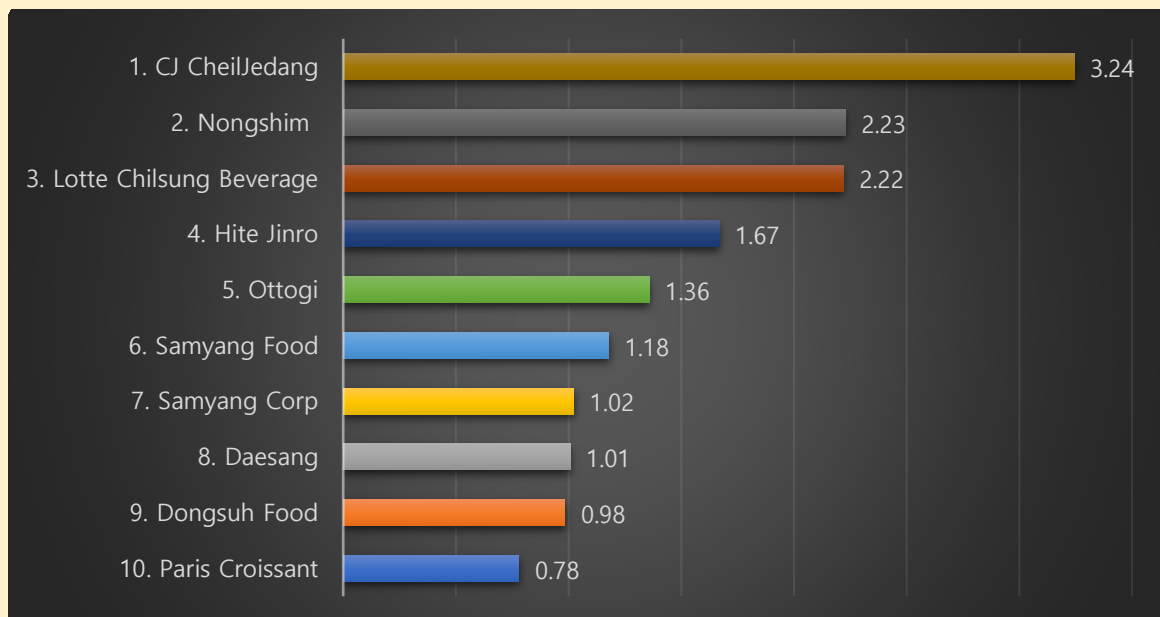
I. MARKET INTELLIGENCE UPDATE

- South Korea's Food Manufacturing Industry Update:** South Korea's food manufacturing sector is expanding significantly, evident in the "2022 Food Production Performance" report by the Ministry of Food and Drug Safety and the Korea Food Safety Information Service. The industry's production performance surged by 12.7% to a historic 105 trillion 110 billion won (\$105.10 billion), the first time annual production crossed 100 trillion won. CJ CheilJedang led with 3.24 trillion won, a remarkable 30.3% increase from 2021. Nongshim followed with a 28.7% rise to 2.23 trillion won, and Lotte Chilsung Beverage reached 2.22 trillion won.

The food landscape saw eight companies exceed 1 trillion won in domestic production, up from five in last years. Nongshim, Samyang Food, and Lotte Chilsung Beverage stood out in snacks, noodles, beverages, and seasoned foods.

Figure 1. Top 10 Korean Food Manufacturing Companies in 2022

(Unit: \$1 Billion)



(Source: Ministry of Food & Drug Safety/ [Money Today News](#))

*Note: For simplification purposes, an exchange rate of \$1=KRW1,000 is applied in this article to the data.

2. South Korean Food and Beverage Industry's Response to Aspartame Concerns:

South Korean retailers and food and beverage companies are on a mission to replace aspartame after the World Health Organization (WHO) labeled it a potential carcinogen. Aspartame, commonly found in products like diet sodas and sugar-free gum, has prompted a scramble for alternatives following the WHO's declaration that it should be classified as "possibly carcinogenic to humans." Manufacturers in various sectors are urgently seeking solutions, with rice wine producers concerned about both its role as a sweetener and preservative. The confectionery industry is also proactively seeking substitutes, while retailers are negotiating transitions in their own-brand products to comply with changing safety standards.

Amid this shift, discussions are underway between companies and the Ministry of Food and Drug Safety. However, contrasting opinions surround alternative sweeteners like xylitol, sucralose, and sodium saccharin, all allowed under current regulations. The WHO's prior suggestion that these alternatives might increase diabetes and heart disease risk, while not impacting long-term weight control, has cast uncertainty on the viability of these options. As the industry works to find replacements, the regulatory landscape and consumer preferences are crucial factors that will shape the future of sweeteners in South Korea.

(Source: [Pulse by Maeil Business News](#))

3. Rising Demand for Kids' Beverages:

Despite the slow recovery of consumer sentiment due to escalating food prices, the children's food market is thriving, as reported by local media. While the number of children is dwindling due to low birth rates, there is an increase in parents willing to spend more on a single child, thereby boosting demand. Beverage companies are capitalizing on this trend by expanding their offerings of children's beverages during this year's peak summer season.



Beverage companies are actively aiming to replicate the success of the industry-hit "Pororo," the kid's beverage brand by Paldo that leads the children's beverage market. They are achieving this by introducing character-themed drinks that are popular and enhancing the nutritional and health attributes of their products.

The children's beverage market is experiencing annual growth of over 10%. Paldo's Pororo Beverage, the market leader, has sold 480 million drinks since its launch in 2007, with sales reaching 78.09 million bottles just last year—an impressive 16.2% year-on-year increase. Notably, international sales, including China and Vietnam, have seen significant growth, with sales in these markets increasing by 297% and 5%, respectively. Paldo has further expanded its success through derivatives like fruit-flavored jelly featuring the character Pororo, achieving a remarkable 600,000 cumulative sales.

The food industry is proactively diversifying its product range to meet the consistent demand in the children's beverage market, often focusing on products featuring popular characters among children.

(Source: Food & Beverage News, Source of Photo: Asia News Agency)

II. REGULATION & TRADE UPDATE

- 1. Korean Government's Efforts to Stabilize Food Prices and Supply:** To stabilize food prices, the Korean government will expand seafood stockpiles and increase low-rate tariff allocation (TRQ) for onions, announced the Ministry of Economy and Finance on July 7th. The government plans to continue discounting high-priced items for price stability and to address supply and demand. They aim to more than double the previous year's target to 76,000 tons, control supply and demand, and explore expanded financial support for private purchases. Additionally, TRQ volume for onions will rise by 90,000 tons, supplying the market at last year's price from this month's end.

(Source: Ministry of Economy and Finance)