



# MONTHLY TRADE SERVICING REPORT

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- **MARKET: SOUTH KOREA**
- **MONTH & YEAR: MAY 2022**
- **PREPARED BY KOREA BUSINESS SERVICES, INC.**

## I. EXECUTIVE SUMMARY

From June 8th, the Korean government will lift a quarantine requirement for all travelers, whether vaccinated or not, entering Korea to reduce economic damages as the COVID-19 situation has stabilized. So, it expects that travel to South Korea will be easier than in 2020 and 2021, and it would help to US suppliers who want to travel Korea for their businesses. In fact, daily confirmed cases also dropped to below 10,000, in the first week of June.

In the meantime, the Korean economy is also struggling with inflation, including food industries and the government. Inflation has spread into the various sectors, including food industries, and the local industries strive for increasing prices, including rising prices for raw materials, especially imported products and logistics.

In May, there were mostly conducted discussions for WUSATA projects which will be organized in the second half of 2022, including “2022 Korea Dried Fruit & Nut Inbound Mission”, “2022 Korea Outbound Mission”, “2022 Korea Menu Promotion,” and “Animal Feed Outbound Mission,” and detailed programs of these projects will be decided in June and July.

## II. MARKET INTELLIGENCE UPDATE

1. **Healthy Pleasure Trend for Protein Products:** In Korea, among the MZ generation (Millennial & Z generation), the "Healthy Pleasure" trend, which makes health care enjoyable, is becoming a mainstream culture. On top of that, simple food trends such as small amounts and single-person products are combined, and simple food with protein as the main ingredient is gaining popularity.

According to the latest update of the food industry statistics system by Korea Agro-Fishery Trade Corporation, the protein food market's size has quadrupled from \$81.3 million in 2018 to \$336.4 million in 2021. The food industry is also introducing related protein products in line with this trend, such as small-packaged premium beef steak, small-packaged ready to cook chicken breast, and High-protein tofu wrap.

2. **‘Homeplus’ to sell Walmart’s private labeled products in Korea:** In May, Homeplus, one of the top 3 Korean hypermarket chains, announced that it had signed a deal with

Walmart to sell the private labeled products of Walmart in its stores across Korea. Under the agreement, Homeplus will sell various private labeled products of Walmart under brands like 'Great Value' for canned foods, snacks, detergents, toilet papers, and 'Mainstays' for bedding and furniture. Homeplus will start to sell Walmart camping goods first and then gradually add other Walmart products over a year.

Homeplus expects the partnership would help bring more consumers to its stores at a time of high inflation. Homeplus plans to bring in Great Value's low-priced, good-quality food products to bolster its price competitiveness in the Korean market. In addition, Homeplus is expected to secure price competitiveness as Walmart products would be cheaper than their Korean counterparts. Homeplus currently operates 135 hypermarket stores and 332 Homeplus Express outlets across Korea.

### III. REGULATION & TRADE UPDATE

1. **The Korean Government's efforts to stabilize food prices:** It is noted that the Korean government has worked on a price stabilization policy for food products. The government aims to curb food inflation by mobilizing all possible measures, lowering allocation tariffs on imported items such as flour and soybean oil to 0%, and exempting value-added tax (VAT, 10%) for several processed foods.

As the steep rise in international food prices adds to the burden on the economic life, KRW 3.1 trillion (around \$3.1 billion) worth of measures has been urgently prepared. In fact, due to the various factors, especially the prolonged Ukraine crisis, the prices of processed foods in Korea are also rising by 16.2% in flour, 22.0% in cooking oil, 18.2% in soy sauce, and 13.2% in coffee like other countries.

Among others, for imported food, seven kinds of food ingredients, including soybean oil, sunflower seed oil, pork, wheat, flour, processed egg products, and root vegetables for feed, with high price pressure will be applied by the end of the year, and the quota will be expanded from June as one of the Korean government's policies.

### IV. UPDATES ON WUSATA PROJECTS

1. **2022 Korea Dried Fruit & Nut Inbound Delegation to IBIE (Las Vegas) and New Mexico:** After discussions with project managers, the 2022 Korea Dried Fruit & Nut Inbound Mission will be organized in September at the IBIE trade show and in New Mexico, initially planned in December. The scope of work for this project was submitted to project managers in May. Upon confirmation, the project will be started with the buyer recruitment in June.

2. **2022 Korea Outbound Mission:** 2022 Korea Outbound Mission has been discussed with project managers, especially for the event date and, outline & program. In June, the group discussion will be made.
3. **2022 Korea Menu Promotion:** For the 2022 Korea Menu Promotion, discussions were continually made with project managers. Also, KBSI has conducted a pre-research on which restaurants could potentially cooperate in May. Details of the project will be outlined from June.
4. **Animal Feed Outbound Mission:** In May, there were discussions on possibilities and programs to organize the Animal Feed Outbound Mission in Korea. Based on the conversation, further information about the project, including the scope of work, will be submitted to project managers in June.
5. **Monthly Korea Work Group Meeting:** On May 17th, the monthly Korea Work Group Meeting was conducted. KBSI prepared about the Korean market, especially information about South Korea's imports in 2021, to inform the Korean Work Group. At the same time, the travel information related to COVID-19 was made for the Work Group. Also, discussions and updates about 2022 projects for the South Korean market were made through the Zoom meeting.
6. **"5 Minute Briefs from Seoul" Newsletter:** 3 issues of "5 Minute Briefs from Seoul", the KBSI's written and audio newsletter, has been shared with the Korea Work Group and WUSATA for updating the most recent issues in South Korea on May 2nd, 16th, and 30th.