



MONTHLY TRADE SERVICING REPORT

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

I. EXECUTIVE SUMMARY

Korea's economic situation has been challenging, and the International Monetary Fund recently expects this situation will be continued in 2023. The Korean won was down by around 20% in 2022, which is at a 13-year low against the dollar, and inflation in Korea hit 5.6% in September. Most Korean food importers said the economic situations, such as weaker Korean won and increasing logistic costs, had negatively affected their businesses.

In September, the 2022 Inbound Mission to IBIE & New Mexico was conducted, and KBSI led the Korean group to meet with WUSATA companies in the US. Also, preparations for the 2022 Korea Outbound Mission, 2022 Korea Restaurant Promotion, and 2022 Korea Animal Feed Outbound Mission were actively conducted.

II. MARKET INTELLIGENCE UPDATE

- 1. Increasing Demands for Imported Sterilized Milk:** Recently, consumers have been increasingly interested in purchasing sterilized milk imported from Germany, Poland, and Australia online. Sterilized milk imports grew nearly 20 times from 1,200 MT in 2016 to 23,000 MT in 2021. Also, in the first half of 2022, it recorded 14,675 MT, up 57% from 9,326 MT a year earlier. Imported sterilized milk is rapidly increasing its market share based on its "half-price" competitiveness of around 1,200 Korean won (around \$1) per compared to prices of domestically produced milk in Korea. Also, the shelf-life of imported sterilized milk is usually set to one year, while the average shelf life of Korean sterilized milk is about 12 weeks in the case of fresh milk.

The market share of imported sterilized milk is still insignificantly lower at 7% as in 2021, but the number of consumers who choose sterilized milk is gradually increasing. Moreover, according to the Korean government agency, the nation's milk self-sufficiency rate was 77.3% in 2011 but fell to 45.7% in 2021. Also, tariffs on imported dairy products will be eliminated under the free trade agreement (FTA) from 2026, and the price competitiveness of imported milk will be higher.

- 2. Sauce Market Updates:** According to a sauce market report published by the Korea Agro-Fishery Food Distribution Corporation (aT), Korea's sauce production in 2020 was \$ 2.3 billion, up 7.3% from the previous year. Compared to \$1.7 billion in 2016, it increased by 22.4%. Recently, the proportion of the B2C market has also increased by about 10%. Until 2018, about 80% of domestic sauce consumption was centered on B2B businesses, but recently, the proportion of B2B and B2C was 70% and 30%, respectively. It is analyzed that sauce market growth and changes in consumption behavior were affected by the spread of the trend of home-cooked meals or eating with sauce in HMR, which has increased demand since COVID-19. After the pandemic, the number of consumers cooking and eating at home has increased significantly. Also, recently, as the number of people enjoying camping has increased, demands for sauces that can be easily used outdoors are growing.

As a result, the Korean food industry is actively releasing various new products, such as unique sauces that embody local tastes in foreign cuisines, such as sauces for Italian, Chinses, and South East Asian Foods, as well as Korean seasoning.

III. REGULATION & TRADE UPDATE

- 1. The Labeling of Calories for Alcoholic Beverages:** From 2023, the labeling of the calorie information for liquor products will be marked, but it is not a requirement. The label will show the total calorie for the entire content amount. (e.g., 330ml of liquor (000kcal)" The label will be displayed next to the content display of the product, making it easy for consumers to check, according to the Ministry of Food & Drug Safety (MFDS). MFDS announced that companies with more than \$12 million in sales (based on 2021) will voluntarily participate in the new labeling system from 2023 to 2025 so that more products can display calories while minimizing the burden on companies.

IV. UPDATES ON WUSATA PROJECTS

- 1. 2022 Korea Dried Fruit & Nut Inbound Delegation to IBIE (Las Vegas) and New Mexico:** The 2022 Korea Dried Fruit & Nut Inbound Delegation to IBIE (Las Vegas) and New Mexico was organized from September 18 to 23. 5 major Korean importers and retailers of dried fruits and nuts participated in the Inbound Mission. Through the inbound mission, 100 meetings were conducted between 21 WUSATA suppliers and 5 Korean companies. Also, 5 buyers had a chance to visit International Baking Industry Exposition 2022 in Las Vegas. Moreover, site visits to the WUSATA companies and retail stores were arranged. The follow-up activity report was submitted to project managers with the buyer survey result.

- 2. 2022 Korea Outbound Mission:** For the 2022 Korea Outbound Mission, preparations for the event were actively conducted in September. As a result of WUSATA company recruitments, a total of 15 WUSATA companies will participate in the 2022 Korea Outbound Mission. KBSI has prepared the invitation, web portal, meeting & reception registration online link, developed based on information shared by project managers. Also, hotel reservations for delegates were created, and KBSI and project managers assisted WUSATA companies in booking the hotel room. Also, preparations for interpreter and ground transportation arrangements were started. In October, inviting Korean companies to business meetings and the reception will be conducted.
- 3. 2022 Korea Menu Promotion:** For the 2022 Korea Menu Promotion, translated profiles of WUSATA participants and other relevant information were shared with Haevichi, the partner foodservice company. Also, KBSI reviewed the products of WUSATA participants and figured out which products would be available for promotion. As a result, the products of 6 WUSATA participants have been reviewed by chefs of 3 restaurants. In October, the menu development and preparations for marketing and printing will be conducted.
- 4. 2022 Korea Animal Feed Outbound Mission:** Preparations for the 2022 Korea Animal Feed Outbound Mission could be started from the end of September when the project was approved. KBSI has secured hotel function rooms for the market briefing, seminar, and business meetings. Also, KBSI shared the drafted schedule Korea Feed Ingredient Association (KFIA) for cooperation. After the WUSATA company recruitment in October, KBSI will start developing the invitation and details for the event.
- 5. Monthly Korea Work Group Meeting:** On September 30th, the Korea work group meeting was organized. KBSI updated recent agendas in Korea, including travel information, the COVID-19 situation, and Korean food market updates. Also, updates and discussions for each activity were made with project managers throughout the meeting.
- 6. "5 Minute Briefs from Seoul" Newsletter:** On September 5th and 20th, "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.