



MONTHLY TRADE SERVICING REPORT

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

I. EXECUTIVE SUMMARY

As daily confirmed cases show clear signs of decline, the Korean government has been planning a gradual "return to normalcy" scheme by treating COVID-19 as endemic with the lifting of social distancing from April 18th. In this situation, Korean food industries, especially retailers, expect positive growth as people return to normal life. However, there are also worries about inflation which is spread worldwide.

In April, follow-up activities were conducted for the "2022 Korea Consumer-Oriented Inbound Mission at SIAL America" and planning for upcoming activities. Also, newsletters for updating situations in Korea, especially for the most recent issues and travel information, were shared with the Korea Work Group. In addition, active communications with Korean food industries were made to introduce WUSATA activities and Western food and agricultural products.

II. MARKET INTELLIGENCE UPDATE

1. **Korean Retail Industry Update in April:** From April 18th, the Korean government completely lifted social distancing and business hours restrictions, and the country is going to the endemic stage. Also, many Korean businesses have stopped working from home as well. In this situation, hypermarket chains have restarted sampling events at food corners for the first time in two years, and department stores are also allowed to test cosmetics, attracting customers.

According to local media, Shinsegae Department Store's sales increased 31.1% year-on-year from the 18th to the 25th, during the week when social distancing was lifted. In addition, local media reported that sales of restaurants and cafes at Shinsegae department stores restricted the number of visitors before, rose 44.9% and 28.7%, respectively. Sales of Lotte Department Store and Hyundai Department Store, the other major department store chains, also rose 20.0% and 28.8% during the same period.

Hypermarket chains that resumed sampling for foods, which had been banned because of COVID-19, are also in a positive atmosphere. Homeplus, one of the top 3 hypermarket chains, has decided to operate more than two tasting corners per store as most food samplings often lead to sales, according to Homeplus. Homeplus expects that the total

lifting of distance will regain its former appearance after about two weeks, and sales will grow by more than 20-30% as the number of customers increases gradually. Lotte Mart, the other major hypermarket chain, has also strengthened its marketing by re-operating its sampling events. Due to the suspension of the sampling section, sales of foods with high links to sales and sales have plummeted during the pandemic period.

- 2. Polarization of Food Consumptions:** Food consumption is becoming more polarizing in South Korea. Reflecting the economic situation that has become difficult since COVID-19, more people prefer cost-effective products, but there is still much demand for premium products. According to the Korea Economic Research Institute (KERI), the Engel index, which means the proportion of food costs among household consumption expenditures, reached its highest level in 21 years in 2021. The Engel index rose 1.5% points over the past two years, from 11.4% in 2019 to 12.9% in 2021.

According to local media, more consumers with low incomes are looking for inexpensive products for food consumption, but demand for premium products is also increasing. Sales from retail stores are also clearly polarized. Sales of department stores selling premium products continue to rise amid a surge in online retailers' sales with low prices. According to the retail sales report released by the Ministry of Trade, Industry, and Energy, online sales rose 14.2% in March of 2022 from a year earlier. As a result, department stores saw their total sales rise 7.4% despite a decline in sales of offline retailers such as hypermarket chains.

III. REGULATION & TRADE UPDATE

- 1. Import Sanitation Assessment for Animal Products:** According to the Ministry of Food and Drug Safety announcement on April 20th, the import sanitation assessment, currently applied to livestock products only, will be applied to other animal products as a partial amendment bill to the Special Act on Imported Food Safety Management.

The assessment has been established to evaluate foreign countries' overall sanitary management status when other governments request Korea to import livestock products, including animal meat, milk, eggs, or processed animal foods. Accordingly, only livestock products and their processed products have been sanitized and allowed to be imported if they are managed at the same level as in Korea, but afterward, animal products can be imported after pre-sanitary evaluation. In addition, a legal basis has been established to conduct document inspections using an automated system based on consistent rules for imported and reported products and to handle work if the inspection results are appropriate automatically. If electronic document inspection is applied, logistics costs are expected to be reduced as rapid customs clearance will be possible within 5 to 10 minutes, which used to take 1 to 2 days.

Table 1. Livestock Products & Other Animal Products defined by MFDS

	Livestock Products (Currently applied the assessment)	Other Animal Products (Which the assessment will be applied)
Meats	<ul style="list-style-type: none"> - Meats of Livestock: Beef, Pork, Lamb, and poultries (Chicken, Duck, etc.) - Processed Meats: Processed meats containing meats, over 70% 	<ul style="list-style-type: none"> - Other meats: Meats of Other animals such as Ostrich - Processed food containing meats: Processed meats containing meats, less than 70%
Eggs	<ul style="list-style-type: none"> - Eggs of livestock animals such as chicken, duck, and quail - Processed egg products: Processed egg products containing eggs as the main ingredient and meeting the level of egg contents (over 80%) 	<ul style="list-style-type: none"> - Other eggs: Eggs of Goose or Ostrich which are not designated as edible eggs by MFDS - Processed food containing eggs: Products containing egg as the main ingredient but do not meet the standard level of Egg contents (Less than 80%)
Dairies	<ul style="list-style-type: none"> - Milk of Milk Cow and Sheep - Processed dairies: Products containing milk as the main ingredients and meeting the standard level of contents (Milk, Cheese, Butter, etc.) 	<ul style="list-style-type: none"> - Processed food containing milk: Products containing milk as the main ingredient but do not meet the standard level of milk contents (Less than 80%)

Source: MFDS

IV. UPDATES ON WUSATA PROJECTS

1. **2022 Korea Consumer-Oriented Inbound Mission at SIAL America:** The follow-up report for the 2022 Korea Consumer-Oriented Inbound Mission at SIAL America was submitted to project managers in April.
2. **2022 Seoul Food & Hotel:** After discussions, it decides that 2022 Seoul Food & Hotel would not be proceeded. Instead, the trade show participation would be conducted in 2023.
3. **Animal Feed Outbound Mission:** Possibilities of organizing the Animal Feed Outbound Mission, which will be organized in conjunction with the Vietnam event, were discussed with project managers of Idaho and Nevada in April, and further discussions would be

made in May.

4. **Monthly Korea Work Group Meeting:** On April 20th, the monthly Korea work group meeting was conducted to discuss WUSATA activities in 2022. KBSI and project managers made updates on each project so that the work group could know the progress of 2022 activities. Also, KBSI made the COVID-19 and the South Korean market updates for the work group.
5. **"5 Minute Briefs from Seoul" Newsletter:** "5 Minute Briefs from Seoul", the KBSI's written and audio newsletter, has been shared with the Korea Work Group and WUSATA on April 18th for updating the most recent issues in South Korea.
6. **South Korea COVID-19 Updates - Quarantine Exemption:** For updates on the most recent information for traveling to South Korea, KBSI sent out the newsletter of "South Korea COVID-19 Updates: Quarantine Exemption" to the Korean Work Group on April 25th. The Korean government lifted social distancing and released quarantine standards in April, so the newsletter mainly introduces COVID-19 situations and the entry requirements, including how to travel to South Korea without quarantine.