



MONTHLY TRADE SERVICING REPORT

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

I. EXECUTIVE SUMMARY

According to the MFDS's statistics, South Korea's food industries have kept growing, including manufacturing, import, and export. Also, after the outbreak of COVID-19, trends for the food market have reflected the pandemic issues like other countries. Also, more local consumers in Korea consider ethical consumption for their purchasing items, such as for animal welfare and environmental issues. In the meantime, omicron accounts for 80% of new cases while daily confirmed cases keep increasing. It reached almost 20,000 cases daily at the end of January and expects to keep growing.

In January, preparations for 2022 WUSATA activities have started, especially for Inbound Mission at SIAL America which will be organized in March.

II. MARKET INTELLIGENCE UPDATE

- 1. South Korea's Food Market Updates:** According to an analysis of the recent 2021 Food and Drug Statistical Yearbook published by the Ministry of Food and Drug Safety based on 2020 food and drug statistics, the growth of the food industry has been remarkable since the outbreak of COVID-19. South Korea's food industry's production amounted to 84.33 trillion won (\$84.33 billion values) in 2020, up more than \$3 billion from the previous year. Korea's imports amounted to \$32.17 billion, while exports reached \$9.42 billion.

Related items have also increased due to changes caused by social distancing and activation of telecommuting, which are the most significant characteristics since COVID-19. Typically, the production of instant cooking foods increased 13.6% year on year to \$1.7 billion. In comparison, the production and imports of disposable chopsticks also increased 60.5% and 11.9% from the previous year to \$27.74 million and \$34.987 million, respectively. In addition, as online consumption was activated, overseas direct purchases increased, especially the amount of overseas direct purchase food purchases increased 21.0% year-on-year. It is also notable that interest in individual health has increased since COVID-19. As interest in health care and immunity increased even in normal times, sales of health functional foods increased by 12.7% compared to the previous year.

In addition, as consumption trends that emphasize the importance of health care spread in daily life, the production of fresh convenience foods such as salads and cut fruits also increased 24.4 percent to \$205.9 million.

- 2. Consumer Trends for Animal Welfare:** Recently, as voices about animal welfare have grown worldwide, the food industry has been actively moving. This is because the demand for alternative broth made of vegetable materials is increasing rapidly due to beliefs and ethical consumption in animal welfare. According to the Korea Agro-Fisheries and Food Distribution Corporation, the global alternative meat market is expected to grow 6.7 trillion won by 2023. The U.S., which leads the alternative meat market, has already entered the popularization stage.

Korean food manufacturers are actively launching products using alternative meat, such as Shinsegae's "Better Meats," Nongshim's vegan brand "Vege Garden," and Hyundai Green Food's exclusive sales of Canadian vegan brand "Daiya."

According to a survey conducted by the Institute for Animal Welfare Awareness, 9 out of 10 Koreans agree to reduce factory-style livestock, and actual domestic consumers are responding favorably to "value consumption" to protect animal rights. According to E-Mart, sales of fresh products related to animal welfare increased 46.5% year-on-year between January and September of 2021.

III. REGULATION & TRADE UPDATE

- 1. MFDS's Import Food Management with Digital Formats:** The Ministry of Food and Drug Safety (MFDS) plans to emphasize the digital transformation of imported food safety management by using various digital technologies when overseas food inflows rapidly increase after COVID-19. According to the MFDS, Korea has imported food products from multiple countries, increasing import volumes. Also, as non-face-to-face consumption spreads to COVID-19, the inflow of overseas food has soared in the form of direct purchases or purchasing agents. Therefore, it plans to successfully innovate the safety management of imported foods such as automation of work, prediction of hazardous foods, and provision of real-time safety information by utilizing various digital technologies such as artificial intelligence and big data.

From 2022, the plan is to accelerate the digital transformation of imported food safety management by focusing on 1) automating customs clearance documents, 2) upgrading artificial intelligence-based risk prediction systems, 3) building a shared big data convergence platform, and 4) providing imported food safety information using advanced communication technology.

IV. UPDATES ON WUSATA PROJECTS

- 1. 2022 Korea Consumer-Oriented Inbound Mission at SIAL America:** In January, before the buyer recruitment, KBSI and project managers discussed details of especially for COVID-19 related issues. After discussions, KBSI started the recruitments for Korean buyers in January. KBSI prescreened buyers and selected 20 companies that have purchasing powers. And an event introduction email was sent out to 20 Korean companies while individual phone calls to Korean companies were made to check their possibilities for traveling.
As a result, 8 Korean companies applied for the event, and profiles of 8 candidates were shared with project managers for deciding 5 Korean participants and the next step.
- 2. South Korea's Food Market Updates for the WUSATA Winter Meeting:** As KBSI could not attend the 2022 WUSATA Winter Meeting in person, KBSI developed and prepared the presentation on South Korea's Food Market for the winter meeting. The presentation includes 1) COVID-19 Updates, 2) South Korea's Food Market Updates, 3) Trends, and 4) 2022 Activities. KBSI recorded the presentation and shared the file with WUSATA for the event.
- 3. 2022 Korea Outbound Mission:** For the 2022 Korea Outbound Mission, KBSI discussed with project managers the event dates. It was initially planned to organize in the week of October 31st but will shift to the week of November 7th after discussions.
- 4. "5 Minute Briefs from Seoul" Newsletter:** In January, KBSI developed the 1st edition of "5 Minute Briefs from Seoul" Newsletter in written and audio formats and shared with the Korea Work Group to provide general updates of the South Korean market and insights for the specific sectors.

V. TRADE & ATO COMMUNICATION

- 1. Contacts with ATO Seoul:** KBSI communicated with ATO Seoul Office for updating on 2022 WUSATA activities and discussions on ongoing projects in January. Especially, KBSI updated to ATO that Inbound Mission at SIAL America will be organized, and related issues were discussed with ATO Office, such as traveling issues with COVID-19 situations.
- 2. Business Meetings:** KBSI has communicated with Korean food importers, distributors and retailers regarding WUSATA activities, product inquiries and

discussions on market trends in Korea. Among others, KBSI intensively communicated with 1) Mr. Brian Lee of Coupang, 2) Mr. Jaeyong Koh of Jangsung Global, 3) Mr. Byungchan Chung of Dae Gu Agricultural Products Co., Ltd., 4) Mr. BB Lee of Som International, 5) Mr. Myungha Yoon of High Rich, 6) Mr. Hoyong Kang and Mr. Seyoung Yoon of GS Retail, 7) Ms. Juhee Ha of CJ Freshway America, 8) Mr. Tony Lee of Emart America, 9) Ms. Sungsin Ryoo of Emart, 10) Mr. Steve Yoon of Mi Sung Family, 11) Mr. Hoiyeon Won of BGF Retail, and 12) Rickey Lee of Yekwang International.