



MONTHLY TRADE SERVICING REPORT

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

I. EXECUTIVE SUMMARY

The number of new COVID-19 confirmed cases reached 80,000 at the end of July, and the number of confirmed cases continued to increase. However, the increase rate seems to be slower than the early July. Also, the "doubling" phenomenon, in which the number of confirmed cases doubles weekly, has recently eased. In Korea, the heat wave continues during the summer, and there are expectations that this weather change can bring a high possibility of pressure on food inflation, especially for domestic agricultural and livestock products. Moreover, prices of imported foods keep increasing because of increasing shipping costs.

In July, preparations for the upcoming 2022 Korea Dried Fruit & Nut Inbound Delegation to IBIE (Las Vegas) and New Mexico, especially for travel documentation were conducted. Also, preliminary research and business meetings for other 2 activities, including Animal Feed Outbound Mission and Menu Promotion, were conducted to prepare proposals. The proposal for these 2 activities was submitted early August to project managers for the next steps.

II. MARKET INTELLIGENCE UPDATE

1. **2021 Korea Food Industry Updates:** The production of Korean food industries increased 10.5% year on year to 93.158 trillion won (around \$ 93.15 billion) in 2021. In terms of performance by the company, CJ CheilJedang topped the list following 2020.

Food products in 2021 were \$53.11 billion, up 9.7% from the previous year (\$48.39 billion), about 6.0 percent higher than the average annual growth rate (3.7%) in the past five years. Livestock production reached \$30.65 billion, increased by 10.7%. In addition, health functional food manufacturing production increased 19.8% from the previous year, accounting for \$2.71 billion in 2021.

In 2021, there was an increase in health and home-cook-related food products because of COVID-19. In particular, the production of processed foods such as meal kits, vegetable oils, and edible oil products increased, and in the case of livestock products, meat products such as packaged meat and seasoned meat were strong.

2. **“Low Food” Trends:** The Korean food industry is amidst a "low spec" competition, especially for lower calories from sugar, salt, and fat. The industries have introduced various products, from canned products, considered representative of high-calorie sweet and salty foods, to low-fat milk, cheese, and zero-calorie beverages. Also, non-alcoholic beer is being introduced beyond lower-alcohol beers. These kinds of food are called "low food." Rather than unconditionally changing to healthy food for diet management, the strategy is to increase satisfaction by eating products that reduce unhealthy ingredients such as sugar and sodium while choosing the food they usually enjoy.

Sales of zero-calorie soda sold in June by online commerce WeMakePrice increased about five times compared to June of the previous year. In particular, sales of non-alcoholic beer more than 19 times during the same period, gluten-free product sales, which means products made without flour, rose about 40 times, caffeine-free coffee sales increased 96 percent, and salt-free butter and fat-free milk sales increased 30 percent and 114 percent, respectively.

III. REGULATION & TRADE UPDATE

1. **Reducing Tariffs for Food Ingredients: From August 20th to the end of 2022,** the Korean government has decided to apply quota tariffs or reduce tariffs to imported food ingredients that are increased prices or expected shortages of supplies. To curb sky-rocking food costs, the Korean government plans to apply quota tariffs to a whole and skimmed milk to reduce the prices of powdered milk products, confectioneries, and bakeries. In addition, the government intends to reduce raw material costs such as tofu and Korean traditional soy-based sauces by increasing the tariff rate quotas (TRQ) of processed soybeans. Also, the government will lower tariffs on 10.6% of U.S. beef and 16% of Australian beef to 0%, respectively. Imported chicken will also be tariff-free, which is currently 20 to 30%. The basic tariff rate for coffee is 2% for raw beans and 8% for roasted beans, and 0% tariffs will be applied as a result of this time.

IV. UPDATES ON WUSATA PROJECTS

1. **2022 Korea Dried Fruit & Nut Inbound Delegation to IBIE (Las Vegas) and New Mexico:** For the 2022 Korea Dried Fruit & Nut Inbound Delegation to IBIE (Las Vegas) and New Mexico, KBSI communicated with 5 Korean companies selected as event participants. In July, travel documents were mainly prepared, including a participation agreement, passport copy, and profile photo for 5 buyers, which were shared with project

managers. Also, communications with project managers for the event were conducted in July, especially for travel guidelines.

2. **2022 Korea Outbound Mission:** KBSI contacted the project manager to check the progress of the event while the proposal for the 2022 Korea Outbound Mission was submitted in June. KBSI has waited for the contract for the next step.
3. **2022 Korea Menu Promotion:** KBSI met with Haevichi Hotel & Resort, a subsidiary of Hyundai Motor Group. Based on in-depth discussions with Haevichi for the 2022 Korean Menu Promotion, the proposal, including a detailed schedule and plans, was submitted to project managers in early August.
4. **Animal Feed Outbound Mission:** KBSI has an intensive meeting with Korea Feed Ingredient Association for the plan for the 2022 Animal Feed Outbound Mission. Based on discussions with KFIA, the proposal was submitted to project managers in early August.
5. **Monthly Korea Work Group Meeting:** On July 20th, the Korea work group meeting was organized to discuss ongoing and upcoming WUSATA projects. Also, KBSI conducted the market update, especially for travel information related to COVID-19 and food market updates.
6. **"5 Minute Briefs from Seoul" Newsletter:** Two editions of "5 Minute Briefs from Seoul", the KBSI's written and audio newsletter, has been shared with the Korea Work Group and WUSATA on July 12th and 25th. The newsletters provided the most recent issues in Korea and insights about the market.
7. **Trade Show Visit:** KBSI visited Seoul International Wine & Spirits Expo 2022, one of Korea's major alcoholic beverage trade shows. The trade show was organized from June 30th to July 2nd in Seoul. According to the organizer, visitors for this show were 30,000 for 2 days, and 20 foreign companies from 8 countries participated in the trade show as exhibitors. The trade show was a great opportunity to meet with wine and spirit industries and follow up with Korean companies participating in WUSATA's previous events.