

MARKET INTELLIGENCE UPDATE

South Korea, May 2023

I. MARKET INTELLIGENCE UPDATE

- 1. Wine Market Updates:** Korean importers and distributors, including major retail and food companies such as Lotte, Shinsegae, and Hanwha Galleria, are displaying ongoing interest and investment in the wine market, even in the post-pandemic period. These companies are implementing various strategies to expand their presence in the wine industry. The



domestic wine market has witnessed substantial growth, accompanied by an increase in wine imports. However, the growth rate has started to taper off, indicating a maturing market. To capitalize on this trend, Lotte and Shinsegae have introduced wine-specialized stores, while Hanwha Galleria has established a wine subsidiary and acquired a winery in California. Other players, including Hyundai Department Store and SPC Group, are also making their foray into the wine business. These industry developments are driven by the belief that wine consumption will continue, although the potential revival of the entertainment market in the aftermath of the pandemic may impact its growth trajectory. It is estimated that Korea's wine market reached \$2 billion in 2022, up from \$1.5 billion in 2021.

(Source: Food and Beverage News)

- 2. Korea's Food Manufacturing Industry Update:** In the first quarter of 2023, Korea's food manufacturing companies that have raised product prices due to rising grain prices and logistics costs performed well. Also, Korean food manufacturers successfully expanded into overseas markets in the first quarter. CJ CheilJedang, the largest Korean food companies, achieved sales of \$7.71 billion, but operating profit declined due to cost burdens and weak consumer sentiment. Lotte Well Food, which merged with Lotte Food, recorded strong performance, while Orion struggled with sluggish sales in China. Ramen industry leaders Nongshim, Ottogi, and Samyang Food experienced double-digit sales growth. Overall, the Korean food manufacturing industry faced challenges from increased

raw material prices and production costs, but there is potential for improved profitability in the coming quarters.

(Source: Newsis)

- 3. Korea's Retail Industry Update:** According to a recent report by the Ministry of Trade, Industry, and Energy, offline sales experienced a 4.8% increase, while online sales grew by 3.2% in the previous month. The boost in offline sales can be attributed to successful promotional events in the food and renowned overseas brand categories. Particularly, sales of food products and famous international brands showed significant progress. The combination of discount events and eased distancing measures led to a rise in the number of purchases made at physical stores. However, it's worth mentioning that the average purchase unit price decreased primarily in department stores. Offline sales accounted for 51.7% of the total sales, slightly surpassing online sales, which made up 48.7%. Offline retailers expanded their presence across multiple channels, including hypermarkets, department stores, convenience stores, and supermarkets. Additionally, online sales of food products also witnessed an upward trend.

(Source: News 1)

II. REGULATION & TRADE UPDATE

- 1. Special Act on Imported Food Safety Management:** The Ministry of Food and Drug Safety announced that amendments to the Special Act on Imported Food Safety Management and the Act on Labeling and Advertising of Food have been passed by the National Assembly. As a result, the inspection of import declaration documents in Korea will be converted to electronic screening, and the import hygiene evaluation will be expanded to include animal foods.

This change enables the review of import declaration documents 365 days a year, 24 hours a day, and significantly reduces the time required for report and repair from one day to just five minutes. Furthermore, the import hygiene evaluation, previously applicable only to livestock products, has been expanded to include animal foods such as meat-containing processed products and egg-containing processed products. The amendment also provides a legal framework for conducting surveys on consumers' purchases, use, and cases of damage related to these products. Additionally, the revision of the Act on the Labeling and Advertising of Food encourages the display of braille on food packaging.