EU GATEWAY
BUSINESS AVENUES

Funded by the European Union

ORGANIC FOOD & BEVERAGE

EU Gateway to Korea 2018

Market Overview

Country Profile

South Korea in General

- Peninsular country located in Northeast Asia
- Situated in a temperate zone, four distinct seasons
- Population of 51.4 million
- Land area 100,284km^2
- High population density of 514 people/km^2

Country Profile

Key Statistical Data

Data type	2012	2013	2014	2015	2016	2017	2018 (estimation)
Total population (million)	50.0	50.2	50.4	50.6	50.8	51.0	51.1
Population in working ages	36.6	36.7	36.8	37.0	37.0	37.0	36.9
% Middle and upper class population	41.2%	41.4%	41.4%	41.4%	41.4%	41.4%	41.4%
% Population aged 65+	11.8%	12.2%	12.7%	13.1%	13.5%	13.9%	14.4%
% Population aged 50 to 64	19.5%	20.3%	20.8%	21.5%	22.0%	22.5%	23.0%
% Population aged 25 to 49	40.1%	39.4%	38.8%	38.4%	37.9%	37.5%	37.2%
% Population aged 15 to 24	13.5%	13.5%	13.4%	13.2%	13.0%	12.6%	12.1%
% Population aged 0-14	15.1%	14.7%	14.4%	14.0%	13.7%	13.6%	13.5%
% Population with higher education degrees	28.3%	28.6%	28.9%	29.3%	29.5%	29.8%	30.0%
Average number of children per household	0.5	0.5	0.5	0.5	0.5	0.4	0.4
GDP per capita (US$)	24,358.8	25,890	27,811.4	27,105.0	27538.8	29,806.2	30,919
Consumer expenditure per capita (US$)	11,810.3	12,021	12,304.5	12,598.4	12,852.5	13,096.6	13,341.8

EU GATEWAY TO KOREA
ORGANIC FOOD & BEVERAGE

Country Profile

Economy

- Industrialised Economic Powerhouse
  - GDP (nominal) US$ 1,411 billion (global rank 11), 6^{th} biggest export, 11^{th} biggest import nation
  - Multiple FTAs, incl with the EU (2011), the USA (2012), PRC (2013)
  - Key industries: Automobile, machinery, chemicals, electronics, semiconductors, and shipbuilding
- Challenges
  - Market dominance of Korean chaebols (conglomerates)
  - Search for future growth engines as production is moved more to emerging markets
  - Ageing population, peaking in 2035 thereafter decreasing

EU GATEWAY TO KOREA

ORGANIC FOOD & BEVERAGE

Korean Food & Beverage

Korean Agricultural Market

- South Korea as limited self-sufficient food categories, with a certain exception in rice
- Import of agricultural goods EUR 25 billion (5% of total imports)
- Extension of agricultural output difficult due to
  - 16.2% of South Korea's land arable
  - High population density of 514 people/km^2
  - Aging population – along with aging workforce active in agriculture, forestry, and fisheries

EU GATEWAY TO KOREA

ORGANIC FOOD & BEVERAGE

Korean Food & Beverage

Korean Organic Food & Beverage Market (1)

- 20,165 hectare (2016) dedicated to organic farming
- 12,896 producers of organic food & beverages
- Start in mid 1980 with focus on “green juice” healthy drinks and organic tofu
- Boom between 2006 and 2011 with average growth rate of 50%

EU GATEWAY TO KOREA

ORGANIC FOOD & BEVERAGE

Korean Food & Beverage

Korean Organic Food & Beverage Market (2)

- Total market size for organic packaged food and beverages in 2017 is EUR 198.5 million, making it the 16th largest market in the world by value.
- 90% of processed organic food is labelled “made in South Korea” (primarily with imported ingredients)
- Processed organic food to grow by 2.6% annually from 2017 to 2022

EU GATEWAY TO KOREA

ORGANIC FOOD & BEVERAGE

Korean Food & Beverage

Distribution

- Distribution primarily via department stores, hypermarkets such as Homeplus, Hyundai, Lotte, Shinsegae/E-Mart
- Cooperatives and specialized organic retailers (Choreokmaeul, Orga Whole Foods)
- Small items sold also via convenience stores

Sub-Sector Information

Market data indicated in this section provided by Euromonitor International

www.euromonitor.com

Organic Dairy

Organic Dairy Sales Forecast 2017 to 2022

2017 (EUR million)	CAGR 2022 VS 2017
79.2	3.6%

- Biggest sub-sector in organic processed food
- Primarily milk and yoghurt
- Cheese products limited and mainly cheese for children.

- Exemplary listing of European products:
  - No European manufactured products could be found in this category

EU GATEWAY TO KOREA

ORGANIC FOOD & BEVERAGE

Organic Baby Food

Organic Baby Food Sales Forecast 2017 to 2022

2017 (EUR million)	CAGR 2022 VS 2017
61.4	1%

- Infant industry is huge in South Korea as Korean families are keen to spend a lot of money to offer the best to their kids, including Organic food which has a good image for health
- Demand for milk formula only with marginally increase
- Growth from baby snacks, flavoured drinks, products for toddlers and children

- Exemplary listing of European products:
  - Prepared baby food: babynat (France),
  - Drinkable fruits: Vitabio (France),
  - Ice cream: Bio Ice (Italy),
  - Jelly bears: ASDA Little Angel (United Kingdom).

Organic Cereals / Cereal Products

Organic Cereals/ Cereal Products Sales Forecast 2017 to 2022

2017 (EUR million)	CAGR 2022 VS 2017
42.6	4%

- Dominated by rice and Asian noodles
- Trend on a more internationalised cuisine with positive impact on pasta, cereals/muesli

- Exemplary listing of European products:
  - Pasta: Felicetti Organic Animalshape Pasta (Italy)
  - Pasta: De Cecco Organic Pasta (italy)
  - Muesli: Crispyfood (Denmark)
  - Muesli: Fuchs (Italy).

EU GATEWAY TO KOREA

ORGANIC FOOD & BEVERAGE

Organic Bakery Products

Organic Bakery Products Sales in 2015

2015 (EUR million)
0.8

- South Korea is not a country of bakery culture but trendy independent bakeries with ”hipster culture” are emerging. Customers of these shops are ”organic-sensitive”
- Small bakery chains (Bakersfield, Richemont Bakery) using organic ingredients

- Exemplary listing of European products:
  - Flour: Bauck (Germany).

EU GATEWAY TO KOREA

ORGANIC FOOD & BEVERAGE

Organic Spreads

Organic spreads Sales Forecast 2017 to 2022

2017 (EUR million)	CAGR 2022 VS 2017
1.9	3.8%

- South Korea is not a country of bakery culture
- Major spread products in the market: peanut butter, chocolate spread, conventional jam (strawberry and orange), honey

- Exemplary listing of European products:
  - Jam: Vitabio (France),
  - Peanut butter: Tree of Life (United Kingdom).

EU GATEWAY TO KOREA

ORGANIC FOOD & BEVERAGE

Organic Confectionary

Organic Confectionary Sales Forecast 2017 to 2022

2017 (EUR million)	CAGR 2022 VS 2017
3.9	-2.5%

- Korean confectionary mainly rice-/ red bean-based
- Biscuits, chocolate not as popular as in Europe
- Healthy snacks with good growth perspectives

- Exemplary listing of European products:
  - Lollipops: Cerolan Caramelos (Spain), GER'SON Pierrot Gourmand (France),
  - Jelly bears: Trolli (Germany), Okovital (Germany)
  - Organic vegan candy: Pez (Austria)
  - Chocolate: Green & Black's (United Kingdom),
  - Chocolate: Vivani (Germany),
  - Baked snacks: Biosaurus (Slovakia).

Organic Sauces, Dressings and Condiments

Organic Sauces, Dressing and Condiments Sales Forecast 2017 to 2022

2017 (EUR million)	CAGR 2022 VS 2017
4.6	3.3%

- Dominance by Korean makers catering Korean taste
- Emerging trend for salads and salad bars which could offer opportunities for organic salad dressings

- Exemplary listing of European products:
  - Ketchup: Zwergenwiese (Germany),
  - Pasta Tomato Sauce, Olives: Alce Nero (Italy),
  - Mustard: Temeraire (France).
  - Vinegar: De Nigris (Italy), Sabo (Italy)

Organic Oil and Fats

Organic Oil and Fats Sales Forecast 2017 to 2022

2017 (EUR million)	CAGR 2022 VS 2017
0.2	3.2%

- Oil an important element in the Korean cuisine
- Various oils such as corn-based oils, sesame oil, sunflower oil, olive oil
- Extra virgin olive oil primarily for international cuisine

- Exemplary listing of European products:
  - Canola seed oil, argan oil, olive oil: Crudigno (Italy),
  - Olive oil: Clemente (Italy), Alcanova (Spain)
  - Olive oil, sunflower oil: Rafael Salgado (Spain)

Organic Ingredients

- Organic ingredients necessary for production of organic processed food
- Floor is used 45% for noodles, 15% for baking products, and 10% for confectionary products

Organic Alcoholic & Non-Alcoholic Beverages

- Organic is more associated to food not so much to beverages
- Organic non-alcoholic beverages mainly green tea, organic juice for children
- Organic alcoholic beverages could not be found in normal retail

Organic Market Opportunities

- Organic packaged food market valued with EUR 194 million (2017), growth to 2022 2.6% annually
- Organic beverage market valued with EUR 4.5 million (2017), growth to 2022 2.8% annually
- Listing at department store, hypermarket, or speciality store for B-2-C
- Agreement with department store, hypermarket on white brand
- Costco’s organic F&B portfolio by far below as in the USA

Regulations

Regulations

Organic Certification

- Ministry of Agriculture, Food and Rural Affairs' "National Agricultural Products Quality Management Service" in charge for certification
- Certification for " Organic Food", "Pesticide Free", No-Antibiotic", "Low Pesticides"

Regulations

EU-Korea Organic Equivalency Arrangement

- Announcement by The European Commission and the Republic of Korea on 27 January 2015: From 1 February 2015, processed organic products certified in Europe or in South Korea may be sold as organic in either region.
- The arrangement has been extended for an unspecified period of time in 2018.
- Organic products certified in the European Union as organic does not have to undergo separate certification procedure in South Korea.

Regulations

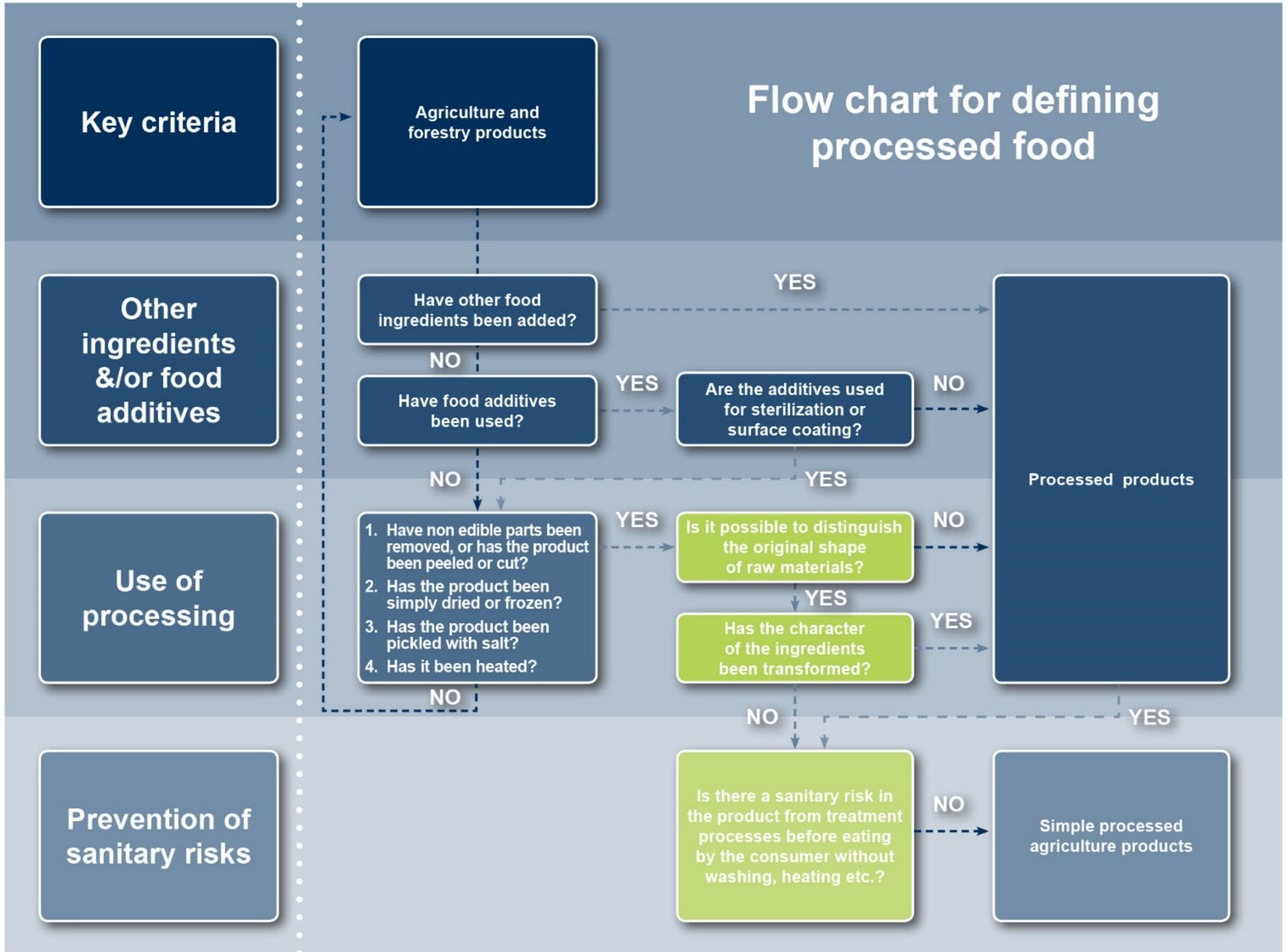
EU-Korea Organic Equivalency Arrangement

- Products must be produced and processed in conformity with the EU organic regulation and be certified by an EU organic certifying body

- Importance of identifying that the product is both organic and processed

Regulations

EU-Korea Organic Equivalency Arrangement



EU GATEWAY TO KOREA

Regulations

Import regulations

- The 'Approved Exporter Status' is not a mandatory requirement but useful in order to benefit the preferential tariffs agreed under the EU-Korea FTA.
  Application via the customs authorities of the Member State where the companies are established and keep their records.
- Since 2016, general food manufacturers, who intend to export to South Korea, should have their facilities registered at the MFDS 7 days prior to import declaration either by the exporter or the importer. The registration is operated via post/fax or on-line (https://impfood.mfds.go.kr/).

EU GATEWAY TO KOREA

ORGANIC FOOD & BEVERAGE

EUGATEWAY
BUSINESSAVENUES

Funded by the European Union

EXPANDING YOUR BUSINESS IN ASIA?

50+ EU-FUNDED BUSINESS MISSIONS IN 2016-2020

MORE INFO: EU-GATEWAY.EU