



# South Korea

## Food and Drink

Korea's imports of agricultural and food product from the world for 2013 are forecast to total \$31 billion, up 1.7% from the previous year. The country currently depends on imports for around 60% to 70% of its food as local agriculture and food production fails to keep pace with increasing demands for greater variety and higher quality food. Major exporters to South Korea include the U.S.A, Australia, and China as well as the EU.

Over the next 5 years, the South Korean economy is forecast to make the 10<sup>th</sup> largest contribution (1.8%) to world GDP growth (IMF) – greater than UK, France and Turkey. It made the single largest contribution to UK export growth in 2012. South Korea has a population of 50 million with over 80% living in urban areas. The Seoul metropolitan area is the most populous area in South Korea with more than 22 million people. This is followed by Busan

with 3.7 million and Incheon with 2.6 million.

Rapid economic growth and increasing incomes have led to substantial changes in eating habits and expanded the range of food available in the market. Consumption of the main staple food, rice, has declined, while consumption of meat, fruit, vegetables and dairy products has increased. Plus, the younger generation's exposure to western-style foods, brands and tastes,

through overseas travel and study, is increasing their familiarity and acceptance of western food products.

The Korean organic food market has grown rapidly and has increased on average by 50 per cent in each of the last five years. The import value was \$39 million in 2009. The Organic processed market is also increasing at 25 per cent year on year. This will continue to grow.

## Influence of the FTA

EU- Korea Free Trade Agreement (FTA) came into force on 1 July 2011. 97% of all tariffs will be eliminated by July 2014. Some of the ways the FTA will influence the Food & Drink sector are:

Item	Change in Tariff		Timing
	Now	Later	
Cheddar Cheese	31.5 %	0% from 1 July 2021	8 years
Scotch Whisky	10 %	0% from 1 July 2014	3 years
Beer	30 %	0% from 1 July 2018	5 years
Sausage	12%	0% from 1 July 2016	3 years

(Source: Korea Customs Service FTA Portal website <http://fta.customs.go.kr> )



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**+82 (0)2 3210 5625**

**Opportunity.Korea@fco.gov.uk**  
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@UKinKorea



## Food and Drink – Opportunities for UK companies

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*I definitely think that Korea is a great place to do business as there is such a strong interest in Britain and its culture.*

*The biggest driver of this change is the EU-South Korea Free Trade Agreement (FTA) implemented in July 2011.”*

**Tim Harrap, Alvis Bros.**

### Alcoholic Drinks

In 2011, Korea's distilled spirits imports totalled \$384 million (168 million liters). Domestic spirits such as 'Soju' dominate with a 97% market share. Among imported liquors, consumption of Scotch whisky reached 2.3 million cases in 2011 and the direct exports of Scotch whisky to the market achieved Moving Annual Total (MAT) £137 million in September 2012. In terms of taste preferences, currently old blended whiskies rather than premium products and single malts are popular. We expect this to change a little with single malts becoming increasingly popular.

South Korean consumers also consume light beers and lagers in high quantities. Recently, premium imported lager as well as dark beers, have experienced strong sales growth. South Korea's imports of beer totalled a record high \$73.6 million in 2012. Imported beer sales are growing at 25% per year. We expect that to continue for the foreseeable future. Beer tastes in Korea are changing rapidly, with younger Koreans (especially single females) preferring dark beers and ales. There is also a growing craft beer scene.

### Cheese

Local prices for dairy products are high by global standards - local producers only make a small amount of processed cheese. South Korean food processors are seeking reliable sources of high-quality and cost-competitive dairy ingredients. There are strong opportunities for UK companies to supply dairy products and cheese – particularly cheddar; cheeses such as Stilton are considered too strong for South Korean tastes.

### Ready Meals

Increasing numbers of dual-income families and single-parent households dominate the growth in pre-packaged ready meals. Plus, exposure of South Korea's younger generation to western-style foods, brands, and tastes through overseas travel and study is increasing their desire for ready meals. The FTA will reduce the high duties currently imposed on these products.



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### *Market Entry – Factors for Success*

Understanding current import formalities and regulations in South Korea will be an important first step. With a number of high profile food safety incidents from products originating from the wider Asian region as well as calls from local consumers for higher standards, food importation and safety regulations are constantly being reviewed.

Cultural and language barriers can sometimes hinder UK companies as the majority of companies prefer to work with a local representative or a Korean speaking staff member. As a result, most UK companies opt to source a local partner to assist with local regulatory requirements, marketing and distribution. A long-term perspective and reliable partnership with a local agent is a key factor in achieving success.

### *How Can UKTI Help?*

Some companies find entering South Korea challenging. To address this, the UKTI team in South Korea has actively provided support to UK companies for many years. Some of the assistance we can offer includes:

- providing tailored overviews of the sector
- providing market research and local contacts for your business
- identifying reliable and eligible agents/ distributors/partners
- identifying competitors
- supporting events and your visits

For further information on UK Trade & Investment, the FTA and the opportunities in South Korea please visit: [www.ukti.gov.uk/southkorea](http://www.ukti.gov.uk/southkorea) or contact

**Yoonah Lee/Sunmee Jin**

Trade Officer (Food & Drink, Agriculture)

UK Trade & Investment

British Embassy

South Korea

Tel: +82 2 3210 5625

Email: [Yoonah.Lee@fco.gov.uk](mailto:Yoonah.Lee@fco.gov.uk)

[Sunmee.Jin@fco.gov.uk](mailto:Sunmee.Jin@fco.gov.uk)



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