kotra
Korea Trade-Investment Promotion Agency

Exporter Guide

FOOD AND BEVERAGE IN SOUTH KOREA

Market Profile

AUGUST 2012

HELPING YOUR BUSINESS GROW INTERNATIONALLY

BREAKING INTO SOUTH KOREAN MARKETS

FAST TRACK TO SEOULFOOD 2013

CONTENTS

1 WHY SOUTH KOREA

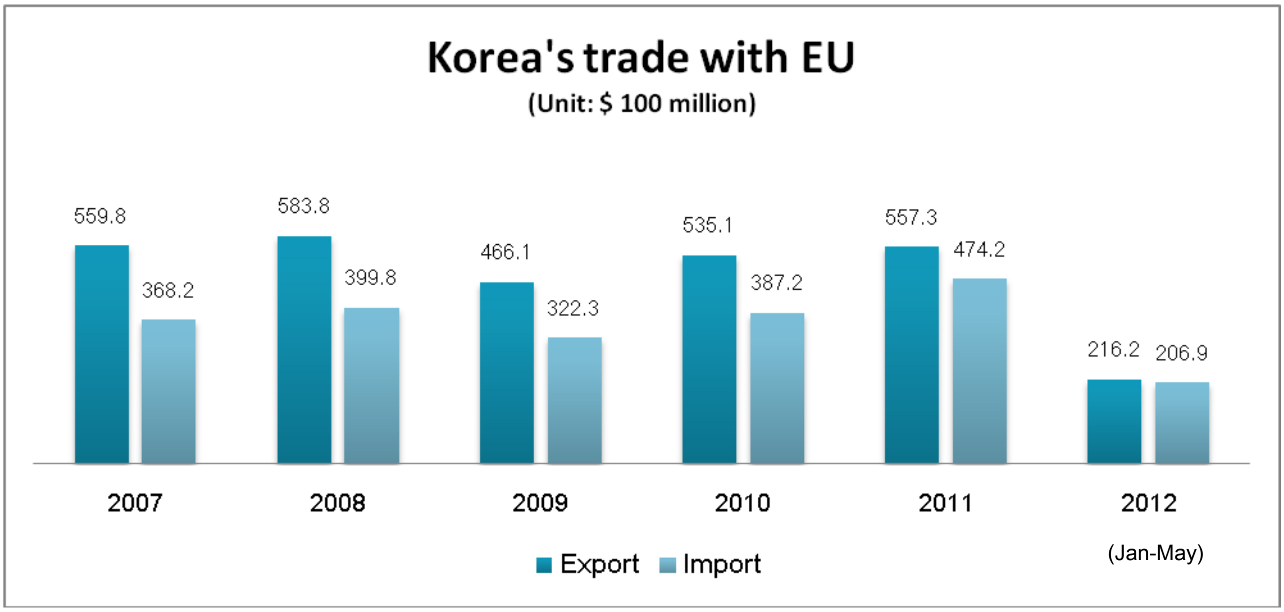
1.1 Introduction

South Korea is the world's 12th-largest economy[1]. It has a GDP of over US$1 trillion – just less than the size of the entire Association of Southeast Asian Nations (ASEAN) and equal to 2 percent of global GDP. Per capita purchasing power is some US$31,700.

Over the next five years, the South Korean economy is set to make the 10th-largest contribution to world growth. That's as much as the UK and more than France or Italy. Despite the global slowdown, South Korea's economy grew by 3.6 per cent in 2011, the fastest in the OECD (Organization for Economic Co-operation and Development).

Korea-EU Free Trade Agreement

The Republic of South Korea is one of the priority partners of the European Union (EU) in the global economy. The Korean economy is now the 12th largest in the world, and a key trade and investments partner for Europe.



Source:KITA

On 1 July 2011 the EU-Korea Free trade agreement entered into force. A new era of EU-Korean trade relations was begun. This agreement marked the EU's first trade deal with an Asian country and is expected to boost bilateral trade between the two economic areas significantly. The historic agreement presents opportunities for the EU-Korean collaboration – based on current trading patterns. The European Commissioner for Trade, Karel de Gucht, described the Agreement as "unprecedented" in the measures it took to remove trade barriers. Importers and exporters of almost all industrial and agricultural products will now be able trade without having to pay duties.

Ninety seven percent of tariff barriers between Korea and the EU will be eliminated within three years and €1.6 billion of duties for EU exporters will be abolished annually.

[1] *According to the IMF, measured on a PPP(purchasing power parity)*

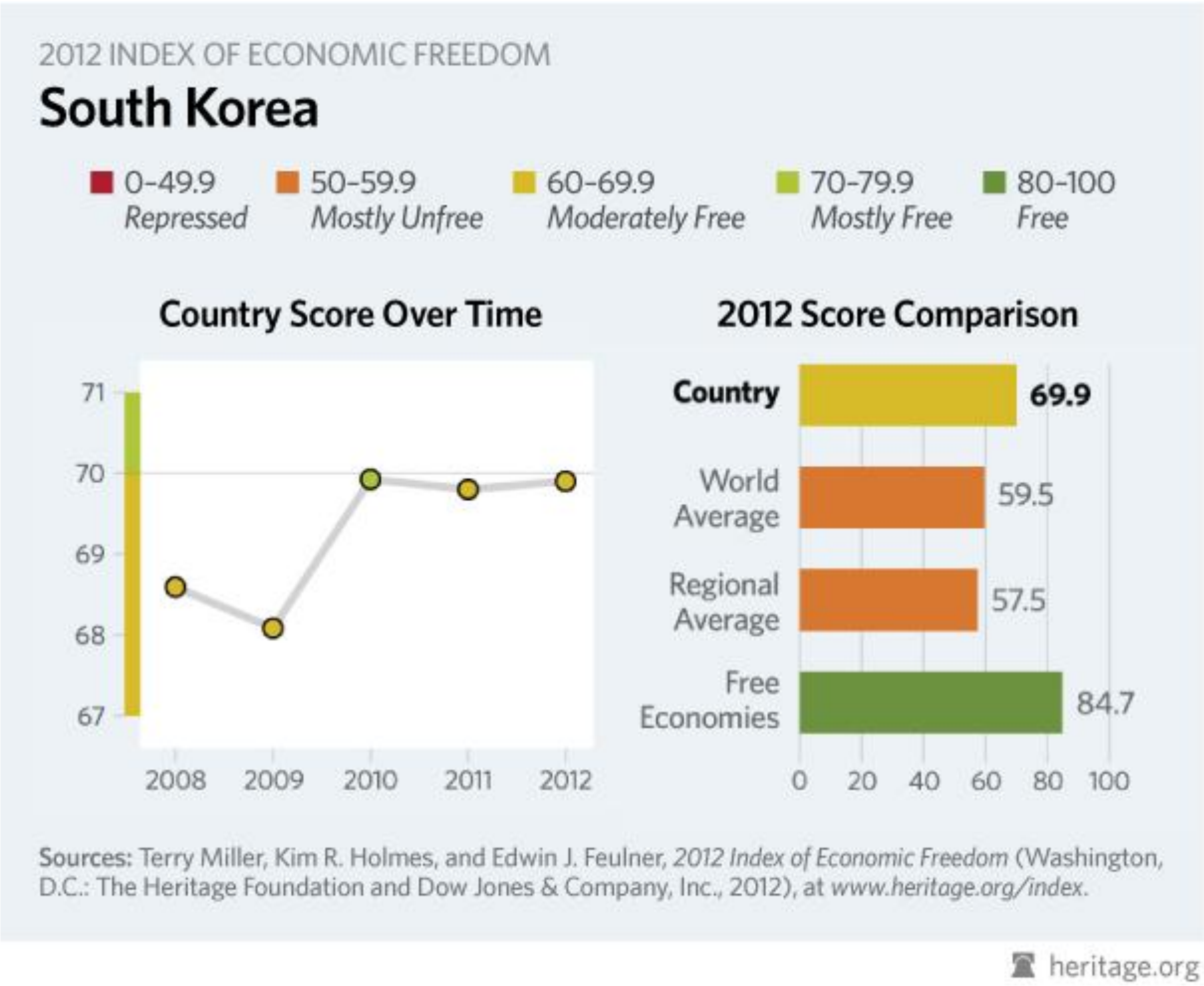
THE COUNTRY AT A GLANCE	
Full name:	The Republic of Korea
Capital:	Seoul
Other main cities:	Busan, Incheon, Daegu
Area:	99,313 sq. km (38,345 sq. miles)
Population:	48.2 million (2010), one million foreign residents
Major languages:	Korean (written form Hangul) English is widely spoken
Ethnicities:	Korean, with the exception of around 20,000 Chinese
Life expectancy:	76 years (men), 83 years (women)
Major religions:	Buddhism, Christianity
Monetary unit:	South Korean won (KRW)
Nominal GDP:	US$986.3 billion (2010)
GDP per capita:	US$31,700 (2011)
World Bank Ease of Doing Business Ranking	8th (2011)

Source: IMF, Bank of Korea

1.2 Current Economic Situation

SOUTH KOREA ECONOMIC FACTS 2011 (UNLESS OTHERWISE INDICATED)	
***Population**	48,860,500
***GDP per capita (purchasing power parity – ppp)**	US$31,700
***Nominal GDP**	US$1.16 trillion
***GDP Growth Rate(Real)**	3.9%
****World Merchandise Trade Ranking**	8th(exporter), 9th(importer)
****World Bank Ease of Doing Business Ranking**	8th

*Source: *Economist Intelligence Unit, *Korea.net, CIA: The World Factbook, The World Bank*



South Korea's economic freedom score is 69.9, making its economy the 31st freest in the 2012 Index. Its score remains essentially unchanged, with gains in business freedom and labor freedom offset by a decline in the government spending score. South Korea is ranked 8th out of 41 countries in the Asia–Pacific region.

South Korea's dynamic economy has emerged from the ongoing global economic slowdown on a solid growth path. In an effort to confirm its status as one of the world's premier trading nations, the country has proactively entered into free trade pacts with several of the world's leading economies. A vibrant private sector, bolstered by a well-educated labor force and high capacity for innovation, has capitalized on the country's openness to global commerce and an improving regulatory framework. The financial sector has also become progressively more open and competitive.

2 MARKET STRUCTURE

Korea is the 12th largest economy in the world with GDP of over US$1 trillion. Economic growth has slowed after a rapid rebound from the global financial crisis. The economy grew by 3.4 percent in 2011, after 6.2 percent in 2010. In 2012, the economy is expected to grow by 3.0 to 3.5 percent. Slowing demand for exported manufactured goods, combined with weak domestic demand are reasons for the decline. [i]
The country has a population of 49 million, with over 80 percent of the population living in urban areas. Seoul is the most populous city in Korea, with 22 million people in the city and surrounding area. Other large cities include Busan, home to 3.7 million people, followed by Inchon (2.6 million), Daegu (2.5 million), Daejeon (1.5 million), Gwangju (1.4 million), Ulsan (1 million) and Suwon (1 million).[i]

2.1 Market Overview

South Korea is a net food and beverage importer as the country is only self-sufficient in a limited number of key agricultural commodities (e.g. rice). The country's GDP per capita is US$23,639.[ii]

The EU ranks as South Korea's fourth-largest trading partner behind China, ASEAN and Japan. Trade volume between South Korea and the EU totaled $92.2 billion in 2010 and reached 68.4 billion euros last year.

Benefits to EU food and drink industry

The FTA will bring to an end almost all tariffs between the two economies, leading to duty free access for a large majority of European food and drink products. This is in contrast to just 2 percent of EU food exports entering South Korea duty free prior to the agreement.

Export potential

With food and drink the largest manufacturing sector in the UE in terms of turnover (€965 billion, 12.9 percent of the manufacturing sector) and employment (4.4 million people, 13.5 percent of the manufacturing sector), CIAA(European food industry organization) members expect the FTA to bring considerable gains to the industry and Europe as a whole.

South Korea is one of the most promising trading markets for EU food and drink products. In 2007, EU food exports to the region topped €1.1 billion and the country ranked 10th in the most important export destinations for EU food and drink – a 49 percent increase on 2000.
Source: foodnavigator-asia

Examples of benefits for EU exporters from tariff elimination/reduction

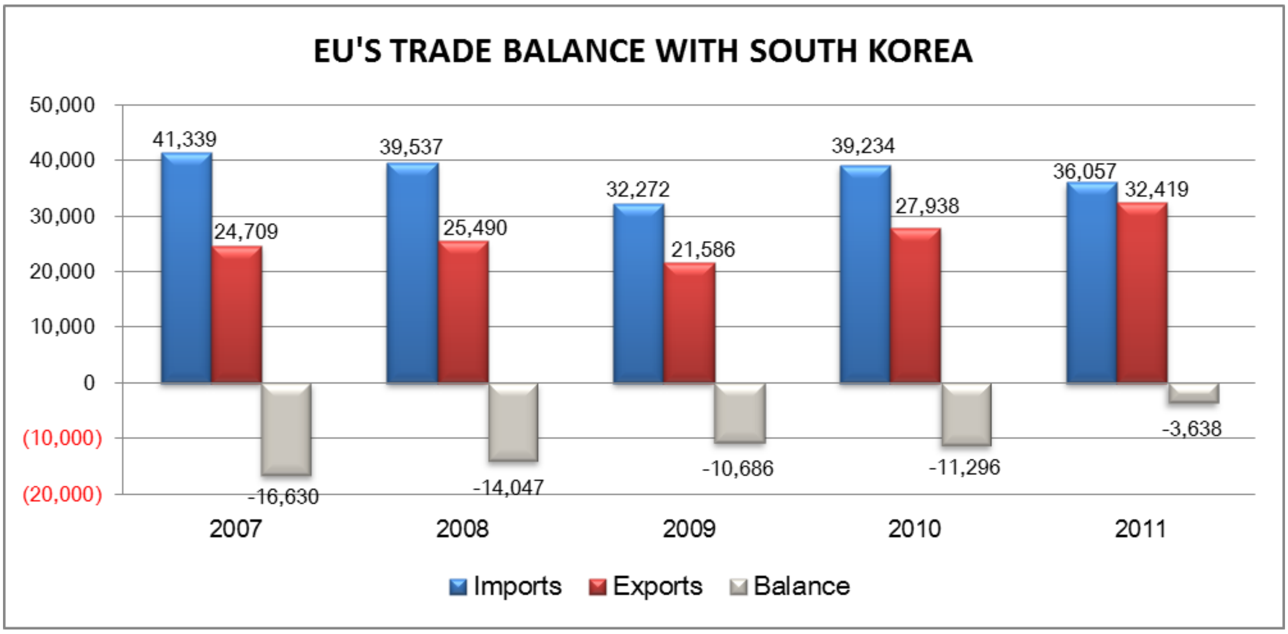
- European agricultural and processed food products have a very good reputation with Korean consumers and the EU has substantial agricultural exports to the Korean market. Average annual exports are above € 1 billion (pork € 240 million, whisk(e)y € 176 million and dairy products € 99 million).
- The FTA provides the biggest market liberalization in years for EU agricultural exports. Before the Agreement, only 2 % of EU agricultural exports entered Korea duty-free. The FTA fully eliminates duties for nearly all EU agricultural exports: wine is duty-free from the start, whisk(e)y in year three, and there are valuable duty-free quotas for products like cheese from the outset. Certain EU pork exports will have duty-free access from year five, whereas for the most sensitive product (frozen pork belly) a ten-year transition period is foreseen.
- Duties on imports of EU agricultural products to Korea, for which Korean tariff rates are very high (35 % by weighted average) will fall by € 380 million annually. Consequently, the potential for expanding EU exports is considerable, allowing EU agricultural exporters to maintain and improve their competitive position in the Korean market.

European Union, Trade with South Korea

Period	Imports	Variation (%, y-o-y)	Share of total EU Imports (%)	Exports	Variation (%, y-o-y)	Share of total EU Exports (%)	Balance	Trade
2007	41,339	1.3	2.9	24,709	8.1	2.0	-16,630	66,047
2008	39,537	-4.4	2.5	25,490	3.2	1.9	-14,047	65,027
2009	32,272	-18.4	2.7	21,586	-15.3	2.0	-10,686	53,858
2010	39,234	21.6	2.6	27,938	29.4	2.1	-11,296	67,172
2011	36,057	-8.1	2.1	32,419	16	2.1	-3,638	68,476
2011Q1	9,104	-	2.2	7,864	-	2.1	-1239	16,968
2011Q2	8,975	-	2.1	7,709	-	2.1	-1265	16,684
2011Q3	9,016	-	2.1	8,218	-	2.1	-798	17,234
2011Q4	8,963	-	2.1	8,627	-	2.1	-336	17,590
2012Q1	-	-	-	-	-	-	-	-
2012Q2	-	-	-	-	-	-	-	-
2012Q3	-	-	-	-	-	-	-	-
2012Q4	-	-	-	-	-	-	-	-
Average annual growth (2007-2011)			-3.4		7.0			0.9

Source: EUROSTAT (Comet, Statistical regime 4)
World excluding Intra-EU27 trade; European Union: 27 members

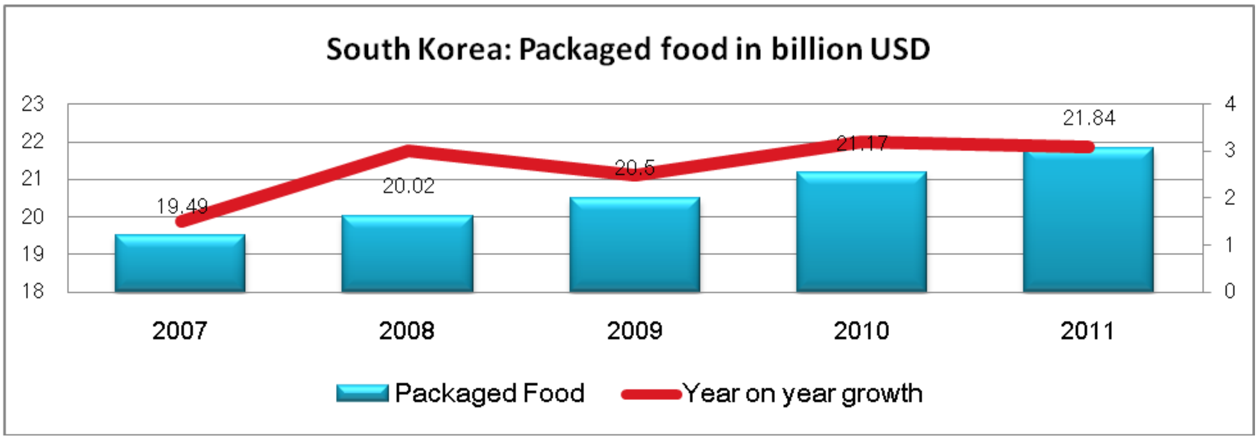
millions of euro, %



2.1.1 Market by product category

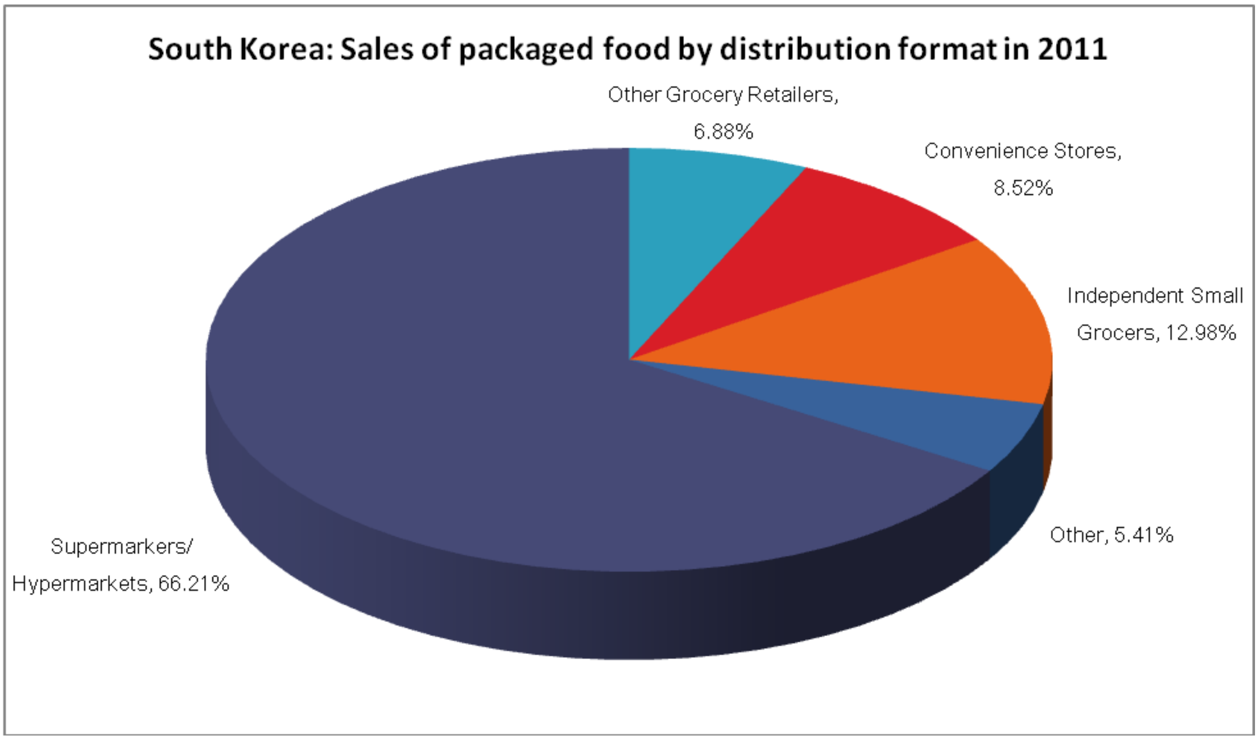
Packaged food[iii]

In 2011, South Korea's packaged food sales totaled US$21.84 billion. Dried processed food products dominate the market with 24 percent market share, followed by dairy (21 percent), bakery (12 percent), noodles (10 percent) and ice cream (8 percent).



Source: Euromonitor International (NB: fixed 2011 exchange rate)

Grocery retailers continue to be the main distribution channel for packaged food products, with 95 percent being sold at grocery retailers (i.e. supermarkets / hypermarkets, small grocery retailers and other grocery retailers).



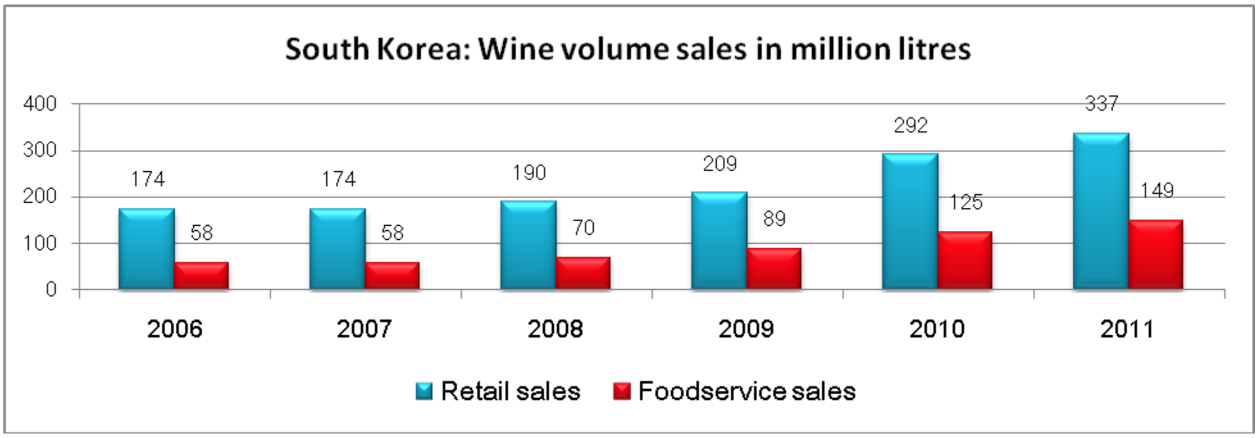
Source: Euromonitor International

During 2006-2011, packaged food sales grew by a compound annual growth rate (CAGR) of 2.5 percent. The highest growth was in meal replacement products (i.e. slimming and convalescence products) with a 34.1 percent CAGR. Sweet potatoes have also gained popularity as a meal substitute with consumers seeking to lose weight.[iv]

Wine[v]

The wine market in South Korea totaled US$1.18 billion in 2011. Non-grape wines dominate the market with a 94 percent market share in volume and 60 percent in value terms, followed by still light grape wine (6 percent in volume and 37 percent in value).

Source: Euromonitor International (NB: fixed exchange rate)

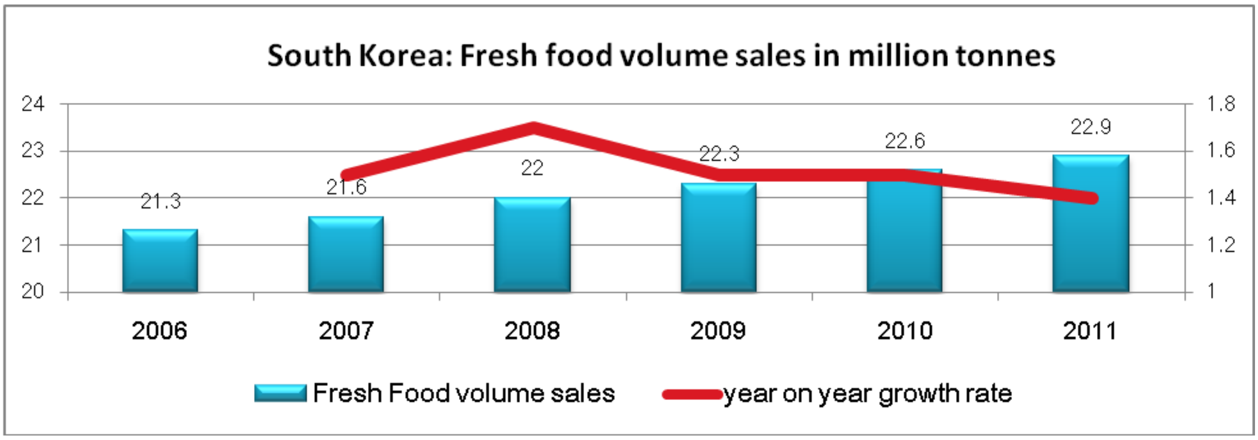


Source: Euromonitor International

During 2006-2011, wine volume sales grew by a CAGR of 15.9 percent and value sales by a 2.9 percent CAGR. Imported wine demonstrated healthy growth in 2011, as wine is perceived as a healthy alternative to other alcoholic drinks.

Fresh food

In 2011, fresh food sales totaled 22.9 million tons in South Korea. Vegetables dominate the market with a 55 percent market share, followed by fruits (14 percent), fish and seafood (11 percent), meat (10 percent) and sugar and sweeteners (3 percent). During 2006-2011, the fresh food market grew with a CAGR of 1.5 percent.

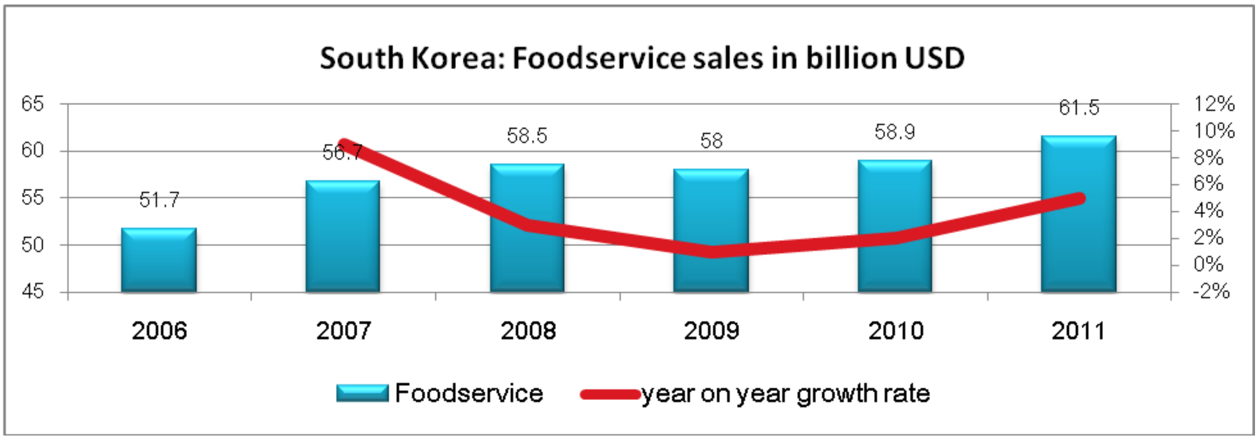


Source: Euromonitor International

2.1.2 Market by distribution channel

Foodservice[vi]

The foodservice market in South Korea was worth an estimated US$61.5 billion in 2011. Consumers have regained their confidence after the recession in 2009, and the number of large-scale franchise restaurants showed a rapid growth, while growth in small sized and independent restaurants declined. During 2005-2010, foodservice sales grew by a CAGR of 3.2 percent.



Source: Euromonitor International (NB: 2011 estimate, fixed exchange rate 2010)

Mass grocery retail

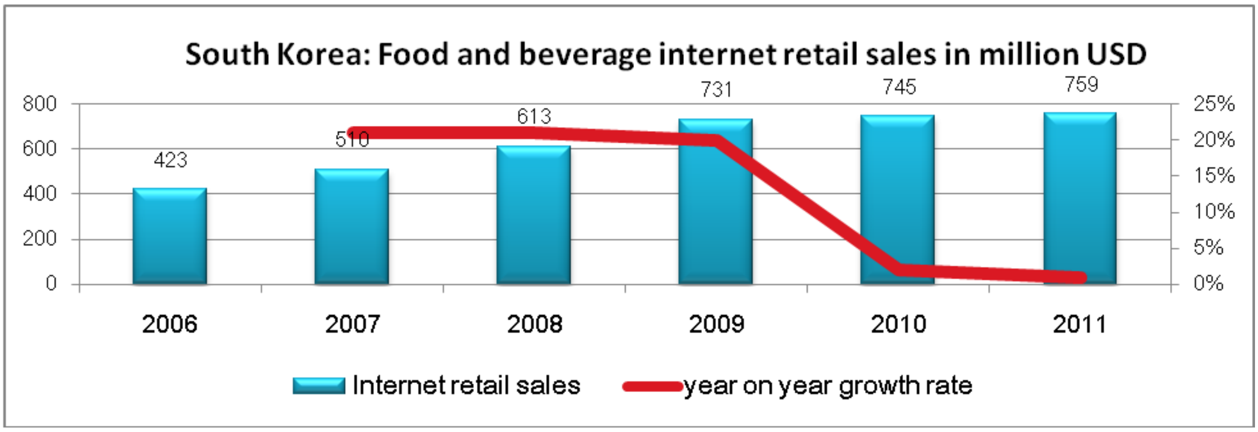
In 2011, grocery retail sales totaled US$57.1 billion in South Korea. Hypermarkets dominate the market with 44 percent share, followed by supermarkets (17 percent), independent small grocers (13 percent), convenience stores (12 percent), food / drink / tobacco specialists (11 percent) and other grocery retailers (3 percent).

South Korea has a favorable regulatory environment and an organized grocery retail sector, representing well-entrenched distribution links for consumer-facing players.

Source: Euromonitor International

Internet retail[vii]

Food and beverage internet retail sales totaled US$759 million in 2011. During 2006-2011, the market grew by a CAGR of 12.4 percent. There is evidence that growth is being limited by regulations as some products, such as wine, are prohibited from internet sales.



Source: Euromonitor International (NB: fixed 2011 exchange rate)

2.2 Market Drivers

The key drivers for the food and beverage market in South Korea include the following:

• Premiumization driven by product segmentation targeting niche consumers (i.e. babies, women targeting to lose weight or over-stressed men).iv Due to the accelerating premiumization, products such as canned food value sales outpaced canned food volume sales.[ii]

• The rapid spread of urban retail formats, rising disposable incomes and increasing food consumption levels. South Koreans are one of the most affluent populations in the Asian region with the willingness to commit higher spending towards nonessential food items, particularly those that offer health and functional benefits.[ii]

• Growing popularity of organic food products as consumers place quality ahead of price, particularly young professionals, although at present the organic food industry is still fragmented and caters only for a minority of affluent consumers.[ii] However, there are regulatory barriers on many imported organic products.

• Foot and mouth disease in South Korea, which appeared in November 2010. A large number of cows were slaughtered, resulting in a shortage of raw milk in 2011. This led to temporary lifting of tariffs on some imported dairy products to sustain supply. These reduced tariff quotas are expected to stray in force through 2012, until domestic herds are rebuilt.[iv]

• The mass grocery retail sector reaching saturation point in the more attractive retail locations such as urban cities. Grocery retailers, particularly smaller retailers, are facing the increasing pressure due to market saturation and many struggles to compete effectively on price. To address this, the government introduced a bill in November 2010, mandating that supermarkets need an approval from the local authorities to open within 500m of traditional markets and family-run stores.[ii]

• Social media-based marketing strategy becoming a primary advertising channel. The smartphone market has increased by 750 percent in volume in 2010 and an increasing number of companies are using quick response (QR) barcodes to engage people to their promotional events or advertisements.[iv]

• Consumers' health and wellness focus on food products. For example, consumers have rapidly switched to non-MSG (monosodium glutamate) or non-artificial condiments with natural ingredients.[iv]

• Western-style food gaining popularity. North American and Italian full-service restaurants increased rapidly in number in 2011.[viii]

• Increasing presence of hypermarkets and supermarkets in internet retailing. Many now provide delivery service within a few hours to attract internet savvy consumers. More than 80 percent of the populations in South Korea are very familiar with the internet and e-retail.[viii]

• Sustainability, carbon footprint, environmental issues and traceability are gaining traction in South Korea. However, consumers generally base their purchasing

2.3 Market Potential

High household debts and a deteriorating macroeconomic outlook are expected to constrain the near-term domestic demand of consumer goods in the country. However, South Korea has a positive microeconomic growth outlook, healthy population growth and rising incomes.

There are opportunities as South Korea's food and beverage per capita consumption is expected to grow by a CAGR of 5.1 percent to 2016.[ii]

Korean consumers are drawn to products that offer well-being, safety, convenience, higher quality, better value and wider choices as well as products that are organic and new. With more exposure to Western-style foods, brands and tastes, many consumers are becoming familiar and accepting new and foreign products.[i]

2.3.1 Market by product category

Packaged food[iv]

The packaged food market is estimated to be stagnant with a CAGR of 0.5 percent to 2016, reaching US$22.42 billion.
Korean consumers are expected to care more about ingredients and production processes rather than simply price. As a result, the average unit prices of packaged food are expected to grow.[ii]

Fresh food

The fresh food market is expected to continue to grow by a CAGR of 1.5 percent to 2016. The highest growth is expected to be in fruits and nuts with a 2.3 percent CAGR, followed by meat (1.7 percent).

2.3.2 Market by distribution channel

Foodservice[vii]

South Korea's foodservice market is forecast to increase by a CAGR of 4.8 percent to 2015. Consumers' choice is expected to become more sophisticated as they dine out more frequently. There are opportunities for restaurants that offer quality food and luxury image as affluent consumers and young professionals value quality over price.

Mass grocery retail[ii]

The overall mass grocery retail sales are expected to increase at a CAGR of 8.2 percent to 2016. The convenience retail sector is expected to be the top performer, with sales forecast to grow at a 9.2 percent CAGR to 2016. The convenience retail sector is relatively immature and there is less interference from regulators due to its smaller store size. Supermarkets and hypermarket retail sales are expected to grow by a CAGR of 5.3 percent and 7.4 percent respectively.

Opportunities for expansion in large-scale grocery retail formats are quickly running out and retailers are expected to turn towards the convenience and discount sub-sectors.

Internet retail[viii]

Food and beverage internet retail sales are expected to slow with a CAGR of 2.2 percent to 2016, reaching US$845.6 million. The internet retailing channel has developed continually and while it may appear to have matured, it still has much potential. South Korean consumers are very adaptable to new trends in the internet retail channel and are receptive to new players entering the internet retail channel with new concepts.

2.4 Import Trends

South Korea imported a total of US$ 23.4 billion worth of food and beverage products in 2011. Food and beverage imports were mainly sourced from the United States, representing 27 percent of imports, China (14 percent), Australia (11 percent), Canada (5 percent) and Thailand (4 percent). New Zealand represented just over 2 percent of the food and beverage imports valued at US$ 532.2 million.

South Korea: Top 10 food and beverage imports in million USD

	2011	Share
Total food and beverage imports	**23,440**	
Cereals	4,626	20%
Meat	3,455	15%
Fish	3,413	15%
Sugar and confectionery	1,469	6%
Animal, vegetable fats and oils	1,464	6%
Oil seed, grain and seed	1,447	6%
Miscellaneous edible preparations	1,155	5%
Edible fruit, nuts and peel of citrus fruit	1,053	4%
Vegetable and fruit food preparations	781	3%
Dairy products	763	3%

Source: Trade Map

In 2010, South Korea imported a total of 24.8 million liters of wine. Its top 5 import sources were Chile, with 23 percent market share, Spain (21 percent), Italy (16 percent), France (14 percent) and the United States (11 percent). South Korea's imports from New Zealand represented just 0.4 percent of total imports.[vi]

2.5 Key Players in the Market

Top food and beverage players in South Korea			
Company	**Subsector**	**Sales in million USD**	**Employees**
CJ Cheiljedang Corp	Miscellaneous	4,932	4,678
Nong Shim Co Ltd	Noodles / Snack Food	1,801	4,684
Dongwon F&B	Noodles / Seafood	1,213	1,810
Ottogi Corp	Noodles / Sauces / Seasoning	1,210	2,003
Sajo Industries	Seafood	1,174	55
Daesang Group	Processed Food	1,046	3,047
Namyang Dairy Products Co	Dairy	894	2,619
Maeil Dairy Industry	Dairy	791	1,792
Seoul Milk	Dairy	725	1,800
Lotte Sam Kang Co Ltd	Noodles / Ready Meals / Ice Cream	609	874
Binggrae Co Ltd	Dairy	596	1,715
Dong Suh Companies	Canned Food / Edible oils	336	233
Maniker Co	Processed Meat	300	352
Samyang Foods	Noodles	240	1,328
Harim Co	Processed Food	173	1,800

Source: Business Monitor International

Packaged food

South Korea: Top five brands in 2010		
Brand	**Company**	**Market Share**
Seoul	Seoul Dairy Cooperative	2.45
Shin Ramyun	Nong Shim Co Ltd	2.11
Nonghyup	Gyeonggi Nonghyup	2.09
Dongwon	Dongwon F&B Co Ltd	1.77
Ottogi	Ottogi Foods Co Ltd	1.19

Source: Euromonitor International

Grocery retail

South Korea: Key retailers in 2010	
Retailer	**Number of stores**
Department store	Lotte (38 stores), Hyundai (13), Shinsegae (9)
Hypermart stores	E-mart (132 stores), Homeplus (121), Lotte Mart (90), Costco (7), 2001 Outlet (12), Hanaro Club (6), Mega Mart (6)
Supermarket chain stores	Hanaro Mart (2,070 stores), Homeplus Express (248),

	Lotte Super (232), GS Supermarket (205)
Convenience Store	Family Mart (5,363 stores), GS25 (5,026), Seven Eleven (2,944), Buy the Way (1,652), Mini Stop (1,402)
Health and beauty stores	Olive Young (around 90 stores), GS Watsons
Bakery store	Paris Baguette (over 3,000 stores), Tous Les Jours (over 1,400 stores), Crown Bakery (350)

Source: the Korea Chamber of Commerce and Industry (NB: as of December 2010).

2.6 Regulatory

Information provided in this section is for reference only. When negotiating supply contracts and before beginning actual export, companies are advised to consult closely with their importer or distributor.

Duties and tariffs

To obtain appropriate import tariff rates, the EU's member states companies must have the harmonized system (HS) code for their product. A Korean importer / partner can file an inquiry to the Customs Office by submitting two copies of application form, list of ingredients, percentages, manufacturing processes and three samples of the product.
Generally it takes 15 working days for the Customs Office to respond and the cost for the service is 30,000 won (approximately US$30) per inquiry.

For more information on tariffs, visit the Korean Customs Office at http://english.customs.go.kr.

In addition to tariff duties, other taxes may be applicable, depending on the product. For example, various taxes and duties are applied on wine imports:

- Import duty 15 percent on cost, insurance and freight (CIF) value
- Liquor tax 30 percent on the gross value (CIF value + import duty)
- Education tax 10 percent on liquor tax
- Value added tax 10 percent on CIF value + import duty + liquor tax + education tax
- Total tax on wine 68 percent of CIF value

South Korea has free trade agreements (FTA) with Chile, Norway, Switzerland, the European Union and the United States. For example, Chilean wines have benefited from the FTA and demand for Chilean wines have increased.

Industry requirements

Food and beverage import regulations of vary depending on the product being imported.

Product	Standards / Specification	Governing body	Website
Processed	Food Code	Korea Food and Drug Administration (KFDA)	http://kfda.go.kr
Livestock, Meat and Dairy	Manufacturing and Processing Standards and Specification of Livestock Products	National Veterinary Research and Quarantine Service	www.nvrqs.go.kr
Seafood		National Fishery Products Quality Inspection Service	www.nfpqis.go.kr
Fruit and Vegetables		National Plant Quarantine Service	www.npqs.go.kr
Oriental Medical Raw Materials	Specifications of Oriental Medicine	Korea Food and Drug Administration (KFDA)	http://kfda.go.kr

To ensure that the product meets standards and specifications, the EU's member states companies must file an inquiry to the governing body through their importer / distributor. For example, France processed food exporters must provide their importer / distributor a list of ingredients, percentages, manufacturing process, purpose of use and samples. Generally it takes 7 working days for the KFDA to respond and the KFDA does not charge for this service.

Labeling requirements

All food and beverage imports must be labeled in Korean. Stickers may be used but should not be easily removed or cover the original labeling.

The following is the minimum information that must be labeled:

- Product type and name
- Country of origin
- List of major ingredients (including volume by percentage)
- Name of food additives
- Instructions for storage
- Importer’s name, address and phone number
- Importer’s business license number
- Date of manufacture
- Expiry date
- Address where products may be returned or exchanged in the event of defects
- Health warning clause for certain products (i.e. alcoholic products)

Korean food importers can label packages in a bonded warehouse in Korea prior to customs clearance.

Labeling standards and import requirements can frequently change in Korea. It is recommended to keep close contact with Korean representatives and to obtain the latest information on requirements.

2.7 Sustainability [viii]

Consumers are becoming more aware of natural disasters that may be related to global warming and demand for eco-friendly manufacturing and packaging is growing in South Korea. However, consumer awareness of eco-labeling still remains low and consumers are likely to become more informed of the existence of eco-labeling as the number of brands carrying the labeling increases.

In 2009, eco-labeling system came into effect for over 100 products. Under the system, manufacturers can gain accreditation to indicate on its label the amount of carbon dioxide produced by the product.

The government’s efforts to secure increasing public acceptance of recycling have been successful in Korea. The recycling rate was over 100 percent and the level of recycling performed exceeded the pre-set goals.

To prevent non-recyclable toxic metals from discharging into sewers, the KFDA submitted a proposal for further restrictions on the use of toxic metals in packaging. These heavy metals include lead, cadmium, mercury and chromium [VI]. Under the proposal, the total sum of all of these metals cannot exceed 100ppm. In addition, to strengthen scrutiny of the use of toxic metals in the packaging of imported food, the Seoul Customs Office launched a taskforce in 2010.

A packaged food manufacturer, Orion, employed vegetable oil-based ink, to move towards green packaging and to move away from toxic metal use derived from the ink used in the printing of packaging materials.

3 MARKET ENTRY AND DEVELOPMENT

3.1 Market Entry Strategies

It is recommended that the EU's member states companies designate a reliable importer who can assist in bringing their products into Korea. Established importers are well aware of import regulations, demand and supply from the market, major customers, distribution chains and local business laws and practices. Importers can manage the quarantine and customs clearance processes on behalf of the EU's member states companies and distribute as well as promote their products. Logistics in Korea is well developed with cold storage facilities and transportation.

The Korean regulatory environment is complex and the EU's member states companies can find the process challenging. In many cases, laws and regulations are stipulated in general terms and are subject to differing bureaucratic interpretations. The regulatory process is not transparent and frequent informal discussions with the bureaucracy are necessary.

The EU's member states are advised to work closely with their importer to provide correct documents, product information and certificates that the government requires before a food product is approved to enter the market. It is not out-of-ordinary for Korean importers to ask for exclusive rights to a particular product or brand.

Participating and exhibiting in food shows can be a cost-effective way to meet with potential key importers and end users. The largest food and beverage exhibition is Seoul Food and Hotel which is held in May each year.

3.2 Points of Differentiation

Korean consumers associate a positive green and clean image with the EU's member states companies. As issues on food quality and safety are gaining traction in South Korea, with the EU's member states' suppliers can differentiate their products by taking advantage of this favorable country image. However, only a few well-known the EU's member states' brands are available in the market.

The EU's member states companies should have a clear marketing plan and are recommended to discuss the plan with their importer to decide the appropriate promotional activities and advertisements to raise its profile and awareness in the market. For instance, Korean retailers will expect to hold in-store promotions, including tasting events, at the cost of the supplier.

A reference list of successful sales is an extremely useful marketing tool and this may assist Korean buyers to differentiate your product to your competitors. In the absence of sales history in Korea, a reference list of sales from other major markets such as Japan or the United States can be helpful.

3.3 Long Term Strategic Issues for Exporters to Consider

After designating an importer in Korea, it is highly recommended that the EU's member states companies continue to actively manage the relationship with its importer by jointly creating short-term and long-term business or sales plans, reviewing its performance regularly, developing sales material, regularly reviewing major customers and visiting them.

While there are growing similarities between Korean and Western business practices, there remain a number of unique local customs and traditions which impact on the way business is conducted in the market.

- Relationships: A key element to business success in Korea is building personal relationships with business people. Personal visits to offices / factories, and inviting key persons for a drink or dinner can help to build these personal relationships.
- Time Investment: Korean business people have different expectations to the EU’s member states businesses. They may have many seemingly minor or irrelevant questions and requests, however to the Koreans businesses; these are important and should be responded to. The EU's member states companies can expect considerable communication over an issue or transaction and eventual success requires considerable persistence and determination.
- Communications: There can be times when what is said may not be completely comprehended but the perception of understanding is nevertheless given. If you detect any signs of uneasiness or lack of understanding then politely repeat what has just been said slowly. The EU's member states companies are advised to follow up with written communication rather than relying on a phone conversation when conducting discussions. Written communications provide a record of commitments from both parties. However, face to face discussions are still the most important means of communication.

3.4 Distribution Channels

Large-scale grocery stores such as hypermarkets and supermarkets are the major retail channels for imported food and beverage products in South Korea. Department stores are the leading channel for high-end, premium and expensive imported food and beverage products.

Korean retailers generally rely heavily on specialized importers and distributors for imported food products, leading to high consumer prices for imported products. Leading retailers such as E-Mart and Homeplus are starting to import directly, however their focus is still on a limited number of large volume products.

3.5 Pricing

Korean customers tend to be price buyers and generally negotiate for the lowest possible price. Other factors such as quality are slowly becoming important.

It is recommended for companies to start the negotiation process with an initial price that provides some room so that they are not entirely eliminated from the competition. This then gives flexibility to reduce the price, while maintaining desired margins.

As there may be a number of people or decision markets involved in a negotiation it is wise to ensure that there are negotiation options at each state. This need not be on price, but could involve other terms and benefits.

4 MARKET RESOURCES AND CONTACTS

4.1 On line sources — the Market Access Database

The Market Access Database (madb.europa.eu) is a free on-line service providing information for European companies on export conditions to more than 100 countries. Information includes applied tariffs, internal taxes and import formalities such as customs procedures, packaging, marking and labeling requirements and technical standards and regulations.

The Market Access Database fully reflects the impact of the EU-Korea FTA on import duties applicable in Korea. The **'Applied tariffs'** section of the database provides access to the sophisticated Korean tariff nomenclature, with almost 12 000 tariff lines. Before the entry into force of the Agreement, less than 2,000 of these tariff lines were duty-free under the 'most favored nation' conditions available for WTO members and thus the EU

As a result of the entry into force of the FTA, more than 7,500 additional tariff lines became duty-free immediately for goods originating in the EU. For nearly 2,000 further tariff lines, customs duties will be dismantled over several years.

To see the preferential tariff rates available for a given product, select 'South Korea' in the applied tariffs database and then enter the product code(s). You may also search the complete Korean tariff nomenclature in the English language for product descriptions to identify the appropriate product codes. A link is available from the tariff rates, allowing access to further useful information, including current internal taxation measures in Korea.

http://madb.europa.eu

The FTA will remove not only virtually all import duties between the EU and Korea but also many non-tariff barriers. This is also reflected in the Market Access Database. The section **'Exporter's guide to import formalities'** gives an overview of import procedures and provides detailed information on the documents required for imports to Korea. The requirements are presented, first, at a general level, applicable to all goods, and, second, at a tariff heading level, reflecting the specific requirements for particular goods. The 'Overview of import procedures' outlines key features of the Agreement and explains further the implications for certain product groups. Under 'Commercial invoice', practical information is provided on the proof of origin, including the wording of the origin declaration to be supplied.

The Market Access Database contains a wealth of practical information for European companies doing business with Korea. A detailed user guide (available in all EU languages) explains, step by step, how to use the database.

Europe Direct is a service to help you find answers

to your questions about the European Union.

Freephone number (*):

00 800 6 7 8 9 10 11

(*) Certain mobile telephone operators do not allow access to 00 800 numbers or these calls may be billed.

4.2 Key Contacts

REPUBLIC OF KOREA	
ASSOCIATIONS / ORGANIZATION	**WEBSITE**
Korea Customs Service(KCS)	www.customs.go.kr
Korea Food and Drug Administration(KFDA)	www.kfda.go.kr/eng
Korea Food Industry Association(KFIA)	www.kfia.or.kr
Korea Chamber of Commerce and Industry(KCCI)	http://english.korcham.net
Korea International Trade Association(KITA)	www.kita.org

If you have a specific export enquiry about the South Korean market, which is not answered by the information in this report, you can contact:

13 KOTRA KBCs (Korea Business Centers) in 19 countries

EUROPE	
FRANKFURT	**KOREA BUSINESS CENTER, FRANKFURT (Regional Headquarters)**
	Mainzer Landstr. 27-31, 60329 Frankfurt/M.
	Federal Republic of Germany
	TEL : (49-69)2429920~9
	FAX : (49-69)253589
	Homepage : http://www.kotra.or.kr/frankfurt
	E-mail : frankfurt@kotra.or.kr
HAMBURG	**KOREA BUSINESS CENTER, HAMBURG**
	Ludwig-Erhard-Strasse 20, 20459 Hamburg, Germany
	TEL : (49-40) 3405 740
	FAX : (49-40) 3405-7474
	Homepage : http://www.kotra.or.kr/hamburg
	E-mail : info@kotra.de
MÜNCHEN	**KOREA BUSINESS CENTER, MÜNCHEN**
	Tal 12, 80331 München, Federal Republic of Germany
	TEL : (49-89)2424-2630
	FAX : (49-89)2424-2639
	Homepage : http://www.kotra-muenchen.org
	E-mail : info@kotra-muenchen.org
ATHENS	**KOREA BUSINESS CENTER, ATHENS**
	354 Messogeion Ave., Agia Paraskevi, GR-153 41, Athens, Greece
	TEL : (30-210)6543-623/4/5
	FAX : (30-210)6543-508
	Homepage : http://www.kotra.or.kr/athens
	E-mail : ktc@otenet.gr
AMSTERDAM	**KOREA BUSINESS CENTER, AMSTERDAM**
	Strawinskylaan 767,
	1077 XX Amsterdam,The Netherlands
	TEL : (31-20)673-0555
	FAX : (31-20)673-6918
	Homepage : http://www.kotra.or.kr/amsterdam
	E-mail : info@koreatradecenter.nl
COPENHAGEN	**KOREA BUSINESS CENTER, COPENHAGEN**

	(Commercial Section, Embassy of the Republic of Korea)
	Holbergsgade 14, 2nd Floor DK-1057, Copenhagen K Denmark
	TEL : (45)3312-6658
	FAX : (45)3332-6654
	Homepage : http://www.kotra.or.kr/copenhagen
	E-mail : info@kotra.dk
BUCHAREST	**KOREA BUSINESS CENTER, BUCHAREST**
	17, SOS. Bucuresti-Ploiesti, Sector 1, Bucharest, Romania
	TEL : (40-21)233-2171/2/3
	FAX : (40-21)233-2174
	Homepage : http://www.kotra.or.kr/bucharest
	Internet E-mail : kotrabuh@kotra.ro
BRUSSELS	**KOREA BUSINESS CENTER, BRUSSELS**
	World Trade Center 1, Boulevard du Roi Albert II 30 Bte 14
	1000 Brussels, Belgium
	TEL : (32-2)203-2142
	FAX : (32-2)203-0751
	Homepage : http://www.kotra.or.kr/brussels
	E-mail : kotrabru@kotra.or.kr
SOFIA	**KOREA BUSINESS CENTER, SOFIA**
	(Commercial Section, Embassy of the Republic of Korea)
	B519, Interpred-WTC Sofia, 36 Dragan Tsankov Blvd.,
	Sofia 1057, Bulgaria
	TEL : (359-2)969-5030/31/32/34
	FAX : (359-2)969-5033
	E-mail : kotra@kotra-sofia.org
STOCKHOLM	**KOREA BUSINESS CENTER, STOCKHOLM**
	Svärdvägen 11C Box 625, SE-182 16 Danderyd, Sweden
	TEL : (46-8)30-80-90
	FAX : (46-8)30-61-90
	Homepgae : http://www.kotra.or.kr/stockholm
	E-mail : stockholm@kotra.nu
ZURICH	**KOREA BUSINESS CENTER, ZURICH**
	Claridenstrasse 36, CH-8002 Zurich, Switzerland
	TEL : (41-44)202-1232
	FAX : (41-44)202-4318
	Homepage : http://www.kotra.or.kr/zurich
	E-mail : ktc@kotra.ch
MADRID	**KOREA BUSINESS CENTER, MADRID**
	Torre Europa, P. Castellana, 95-10
	28046 Madrid, Spain
	TEL : (34-91)556-6241
	FAX : (34-91)556-6868
	Homepgae : http://www.kotra.or.kr/madrid
	E-mail : madridktc@kotra.or.kr
LONDON	**KOREA BUSINESS CENTRE, LONDON**
	1st Flr, Brettenham House North, Lancaster Place,
	London WC2E 7EN, United Kingdom
	TEL : (44-20)7520-5300
	FAX : (44-20)7240-2367
	Homepage : http://www.kotra.or.kr/london
	E-mail : kotra@kotra.co.uk

VIENNA	**KOREA BUSINESS CENTER, VIENNA**
	(Commercial Section, Embassy of the Republic of Korea)
	Mariahilferstrasse 77-79/1/3 (Generali Center, 3rd Floor)
	A-1060, Vienna, Austria
	TEL : (43-1)586-3876
	FAX : (43-1)586-3979
	Homepage : http://www.kotra.or.kr/vienna
	E-mail : kotravie@kotra.at
MILANO	**KOREA BUSINESS CENTER, MILANO**
	Via Larga 2, Milano 20122, Italy
	TEL : (39-02)795147, 795813, 796384
	FAX : (39-02)798235
	Homepage : http://www.kotra.or.kr/milano
	E-mail : kotramil@kotra.it
PRAGUE	**KOREA BUSINESS CENTER, PRAGUE**
	Panorama Center, Skretova 12, 120 00 Praha 2, Czech Republic
	TEL : (420)245-005-650
	FAX : (420)245-005-651
	Homepage : http://www.kotra.or.kr/prague
	E-mail : kotra@kotra.cz
ZAGREB	**KOREA BUSINESS CENTER, ZAGREB**
	Gunduliceva 22 A 10000 Zagreb, Croatia
	TEL : (385-1)4815-101, 102, 104
	FAX : (385-1)4818-821
	Homepage : http://www.kotra.or.kr/zagreb
	E-mail : kotra@koreatrade.hr
WARSAW	**KOREA BUSINESS CENTER, WARSAW**
	21st Floor Warsaw Financial Center
	Ul. Emilii Plater 53, 00-113, Warszawa, Poland
	TEL : (48-22)520-6230
	FAX : (48-22)520-6231
	Homepage : http://www.kotra.or.kr/warsaw
	E-mail : biuro@kotra.pl
PARIS	**KOREA BUSINESS CENTER, PARIS**
	19, Avenue de l'Opera 75001 Paris, France
	TEL : (33-1)5535-8888
	FAX : (33-1)5535-8889
	Homepage : www.kotra.or.kr/paris
	E-mail : paris@kotra.or.kr
HELSINKI	**KOREA BUSINESS CENTER, HELSINKI**
	Kauppiaankatu 3 B 11, FI-00160
	Helsinki, Finland
	TEL : (358-9)682-9490
	FAX : (358-9)682-94910
	Homepage : http://www.kotra.or.kr/helsinki
	E-mail : kotrahel@kotra.or.kr
BUDAPEST	**KOREA BUSINESS CENTER, BUDAPEST**
	H-1123, Budapest, Alkotas u.50, Alkotas Point, B-3
	TEL : (36-1)201-8474,201-6368
	FAX : (36-1)488-0184
	Homepage : http://www.kotra.or.kr/budapest
	E-mail : info@koreatradecenter.hu

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