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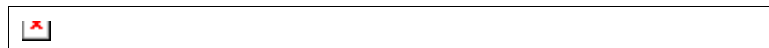
The Pet Food Market in South Korea

July 1998

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The Pet Food Market in South Korea

EXECUTIVE SUMMARY

This report is intended to provide Canadian vendors with a brief, detailed analysis of the Korean market for pet food, including dry and wet food for cats and dogs. The information contained in this report was drawn from secondary sources and from the experience and knowledge of the Canadian Embassy in Seoul.

Retail sales of pet food grew 31% between 1991 and 1995 to reach C\$380 million, representing one of the larger pet food markets in the region. The Korean pet food market is dominated by local manufacturers. Imports totalled C\$13.8 million in 1995, up from C\$2.6 million in 1991, primarily sourced from the United States and Denmark. Pet food sales are expected to grow to C\$417 million by the year 2000. Volume sales are expected to increase more substantially, indicating that prices are likely to fall as more competitors enter the marketplace.

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The Pet Food Market in South Korea



Market Overview

Market Size and Projections

The Korean pet food market is one of the most developed in the region with per capita expenditure at C\$8.47 in 1995 (Euromonitor, 1996). As shown in Table 1 between 1991 and 1995, sales increased 31.3% to reach C\$379.7 million. Similarly, volume sales enjoyed a 32.1% increase since 1991, reaching 97 118 tonnes in 1995.

Within the pet food market, dog food is the best selling with 64.3% of all sales for a total of C\$244.2 million. At present, it is estimated that there are 250 000 dogs in South Korea. It is only in the past several years that Koreans have accepted dogs as pets over their more traditional use as guard dogs. With this acceptance, Koreans are switching from feeding dogs table scraps to dog food.

Cats are less popular with Koreans as pets. However, cat food sales increased at a faster rate than dog food between 1991 and 1995. In 1995, cat food sales reached C\$135.5 million, increasing cat food's market share from 32.2% to 35.7% (Euromonitor, 1996).

The majority of pet food sales are concentrated in the urban regions of South Korea, where 70% of the population resides. Within these urban areas, the average family income is over US\$26 500, a level that enables many Koreans to afford a pet. As economic conditions continue to improve, it is forecast that the pet population and demand for pet food will continue to increase.

Table 1. Pet food sales in South Korea, 1991 to 1995 and projections to 2000

	Cat Food		Dog Food		Total	
	Value (in C\$ millions)	Volume (in tonnes)	Value	Volume	Value	Volume
1991	\$93.00	13 230	\$196.18	60 292	\$289.17	73 522
1992	102.30	15 520	211.87	66 155	314.17	81 675
1993	127.01	18 375	239.34	73 504	366.35	91 879
1994	130.33	18 470	239.41	73 883	369.74	92 353
1995	135.54	20 395	244.19	76 723	379.74	97 118
1996	na	22 000	na	81 000	383.36	103 000
1997	na	24 000	na	84 000	388.17	108 000
1998	na	26 000	na	87 000	394.58	113 000
1999	na	28 000	na	89 000	404.21	117 000
2000	na	29 000	na	91 000	417.04	120 000
Growth:						
1991-1995	45.8%	54.2%	24.5%	18.2%		
		31.3%		32.1%		
1996-2000	na	31.8%	na	12.3%	8.8%	16.5%

Source: *Euromonitor*, 1996.

Sales of pet food in South Korea are expected to continue growing, although at a slower pace than experienced over the past several years. Forecasts indicate that total sales should reach C\$417 million by 2000.

The Competitive Environment

The market for pet food in South Korea, is becoming increasingly price competitive. Three domestic producers — Yooyang Pet Products, Woo Seong Feed Mill, and Dae Jin Enterprise — control 75% of the market (see Table 2) with relatively low priced pet foods. Purian is also currently producing pet food in canned and dried form. Korean companies also export a substantial amount of pet foods. In particular, South Korea exported C\$903 000 in pet foods to Canada in 1995.

In addition to the three main domestic producers, a number of western brands are appearing in the marketplace, via both joint ventures and direct exporting. One company recently launched a substantial advertising campaign for the first time. This is significant since pet food companies have not traditionally advertised their products.

Table 2. Pet food market shares in South Korea, 1995

Company	Sector Share (%Value)
Yooyang Pet Products	35
Woo Seong Feed Mill	30
Dae Jin Enterprise	10
Others	25

Source: *Euromonitor*, 1996

Imports experienced a 430% increase between 1991 and 1995 (see Table 3). The United States has consistently exported the greatest volume of pet foods to South Korea, most recently representing 86% of all imports. Denmark, Japan, and France have been rapidly expanding their exports of pet food to South Korea, together representing 11.7% of all imports in 1995, up from 1.7% in 1991.

Table 3. Top five exporters of pet food to South Korea, 1995 (in C\$)

Supplier	1991	1992	1993	1994	1995
World	\$2 605 630	\$5 033 880	\$7 686 250	\$10 660 380	\$13 814 600
United States	2 560 250	4 712 130	6 974 000	9 310 130	11 943 250
Denmark	0	118 250	187 000	434 500	837 380
Japan	44 000	66 000	235 130	317 630	464 750
France	0	15 130	72 880	247 500	308 000
Australia	0	9 630	24 750	158 130	158 130
** Canada	0	35 760	74 520	73 130	49 470

Source: *International Trade Data Bank, TIERS*

The Canadian Position

Canada has a very small presence in the South Korean pet food market. Canadian exports averaged C\$46 576 annually between 1991 and 1995, with the majority coming from Manitoba.

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Distribution Channels

Overview of the Distribution System

Distribution in South Korea is expensive for foreign suppliers who do not control their own networks. Additionally, the underdeveloped distribution system remains one of the main marketing challenges.

Importers and intermediaries

To gain long term success in this marketplace, it is highly recommended to that South Korean representation be obtained. When making initial contact with potential buyers in South Korea, the Canadian exporter should ensure that they provide as much information about their products as possible. This should be followed with a personal visit so as to provide the potential agent with further information such as price, shipping time, and to gain additional information on the market. Locating an agent should be undertaken with extreme caution and no supplier should select an agent without this personal contact. When making a contract, the Canadian exporter should ensure that there is a favourable escape clause should the agent prove unreliable.

Most Canadian companies enter into an arms length relationship with agents in South Korea. A good local representative will provide a working relationship with government agencies and with local South Korean firms who have well developed distribution networks.

Both importers and distributors generally receive margins of 10 to 20 percent for imported consumable items. As many domestic producers ship directly to retailers, they avoid these mark-ups, making their products substantially cheaper than imported goods.

Retail distributors

Most pet foods are marketed at animal health clinics, department stores, and pet shops in Korea.

Promotional considerations

Advertising of pet foods has only recently been attempted by foreign suppliers. Previously, Koreans regarded such advertising as being in poor taste. For many disturbing memories remain of the massive poverty and hunger that occurred during the Korean War. It is therefore advised that Canadian exporters deal with their agents to determine the best methods of pet food promotion.

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Considerations for Market Entry

Local standards and regulations

The following section provides an overview of local standards and regulations, documentation, procedures, duties, and taxes and tariffs which apply to imported Pet Food. Canadian exporters, however, should contact their agent or importer in South Korea to obtain the most current information.

Health and food safety

Aside from regular quarantine and customs clearance procedures, there are no specific health requirements for pet food if packaging and labelling requirements meet Korean standards.

The Korea Food and Drug Administration is responsible for pet food imports.

Packaging and labelling

The South Korean language and the language of the product's country of origin must be used in

labelling. Stickers may be used in place of labels, but they should not be easily removable. The label should include the following:

- name of product;
- type of product;
- name of the importer, address and telephone number;
- importer's business registration number;
- dates of manufacturing or date of import (not mandatory);
- shelf life;
- country of origin;
- net weight or measurement;
- names of ingredients with percentages in descending order; and
- storage instructions.

Labelling should be completed before quarantine inspection at the port of arrival, however, labelling may be applied in a bonded warehouse.

The Government is in the process of making bar codes a requirement for all products and already 80% of packaged food items have bar codes. Less than 10% of retail outlets, however, have installed scanner systems.



Documentation and Procedures

Required documentation

Every company wishing to trade with Korea must obtain an Import-Export Company Licence from the Ministry of Trade and Industry. Without such a licence, firms are not allowed to import into Korea. Licensed traders must prepare documentation for each import transaction. The minimum documentation requirements include the following: import permit, offer sheet, description of the product, purchase order and other documents as required by the terms of the letter of credit. Exporters should contact their local agent in order to get precise documentation requirements. Finally, special attention needs to be taken to ensure that all documentation related to imported products is complete and accurate. As these documents are subject to intense scrutiny, the smallest discrepancy may be grounds to refuse entry.

a) Import licence

All imports require licences. Import licences are granted only to registered traders. Import licences are issued by the foreign exchange bank which issues the letter of credit or by the Ministry of Trade, Industry and Energy. Each item requires a licence, although one import licence can cover several shipments and one shipment can be under several permits. If the item is not listed on the import licence it may not be imported.

A pro-forma invoice is required in order to obtain an import license and opening a letter of credit. It must contain the following:

- a full description of goods in question;
- f.o.b. value of goods;
- insurance and freight, individually and totalled;
- issued in duplicate and authorized by a chamber of commerce (they require an additional

- notarized file copy); and
- two copies are presented to the South Korean Consulate for legalization.

b) Shipping documents

The following shipping documents must be presented to customs officials by the agent/importer upon the entry of exported goods into South Korea:

- Packing list - one copy enclosed in the pertinent package and one sent with other documents. Must contain a full and concise description of items in the shipment;
- Documents from the seller that correspond exactly with the import permit (changing the model, type, specification or generation of a product after obtaining an import permit could make the permit invalid);
- Commercial invoice - must be signed and issued by the seller. A minimum of three copies must be certified by a chamber of commerce (one copy for its files). Two copies of the invoice and certificates of origin are then legalized for \$2 per document (the Consulate keeps one and returns the original); and
- Certificates of origin - certified by a chamber of commerce and presented to the South Korean Consulate. Method of payment must be shown on the certificate. If this is not by a letter of credit then this must be stated. If a letter of credit is used, then the credit number must appear and a copy of credit must be attached. The certificate of origin must also include the following:
 - description of goods;
 - quantities;
 - value;
 - name and address of importer;
 - name and address of exporter;
 - marks and number; and
 - name of carrier etc.

Customs Duties, Tariffs and Taxes

Importers must pay for 100% of the cost of imports including freight, insurance and customs duties before the products are released from customs. The current tariff rate for pet food is 8% of c.i.f. (cost, insurance, freight value). Products are also subject to 10% Value Added Tax.

The Ministry of Finance will soon submit a bill to parliament to simplify customs clearance, cutting clearance time from an average of 15 days to two or three days. This new system will enable traders to import and export by merely filing a report with the customs authorities rather than acquiring formal permits.

Transportation and Storage

South Korea has 62 936 kilometres of roads, of which 13 476 are national highways. It also has 3106 kilometres of railway, and 1609 km of inland waterways. Pusan, Inchon, Mokpo and Ulsan are the major shipping ports. Currently, there are over 100 licensed commercial bonded warehouses in South Korea; the maximum storage period allowed is 24 months.

South Korea is a member of the TIR Customs Convention. This means that freight shipments from other member nations are permitted to cross international borders without discharging cargo from road vehicles or containers at border points for customs inspection.

Shipping cases should bear the mark of the consignee, including port mark, and should be

numbered unless the contents of the packages being shipped are easily identifiable without numbers. Special marking requirements are as follows:

- consignee;
- contract number;
- end-user;
- port of discharge;
- item number and, if applicable, package numbers in sequence;
- commodity description;
- net and gross weight, cubic measurements; and
- shippers marks and/or trade marks, caution marks (if applicable) and any other marks required under contract.

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Export Financing and Payment

The Korean government encourages an irrevocable and confirmed sight letter of credit, opened before shipment, as a method of payment for imports by Korean importers. Banks require most importers to pay 100% of the value of a letter of credit prior to it being issued.

Cultural and Business Practices

Canadian Exporters should be aware of the cultural nuances of doing business in South Korea. Face to face contact with a consistent representative is essential for Koreans. Also, the exchange of business cards plays an essential role in initial meetings and it is recommended that one side be printed in Korean. The Canadian Embassy can arrange to have business cards translated and back-printed in Korean at cost with a minimum three day turn-around time. It is important to create an official title even if one does not have one, as a lack of title is considered a puzzling omission by most Koreans.

Expect communication to fail frequently as Korean businesses are not accustomed to keeping associates informed. Fax customers daily until a reply is received. If there is still a lack of response contact the Canadian Embassy and request that it phone your Korean contact on your behalf. It is also advisable to rely on written communication, such as the fax machine followed by a letter, rather than the telephone.

Exporters should expect Korean contacts to request a lot of information, some of which may seem unrelated. Requests should be met, provided that they are not overly burdensome.

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Reference Material

Agriculture and Agri-Food Canada, *Export Market Assessment Report: South Korea*, October 1996.

Department of Foreign Affairs and International Trade, *Agricultural Sector in Korea*, December 1995, (FaxLink 78140).

Department of Foreign Affairs and International Trade, *Doing Business in Korea*, May 1994

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Exporters Encyclopaedia, *Korea Country Profile*, Dun & Bradstreet, 1995.

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<http://ffas.usda.go...mar-over/korea.html>

International Trade Data Base revision 3

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APPENDIX A -- Statistical Tables

Pet food exports to South Korea, 1991-1995 (in C\$)

Supplier	1991	1992	1993	1994	1995
World	\$2 605 630	\$5 033 880	\$7 686 250	\$10 660 380	\$13 814 600
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Denmark	0	118 250	187 000	434 500	837 380
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France	0	15 130	72 880	247 500	308 000
Australia	0	9 630	24 750	158 130	158 130
** Canada	0	35 760	74 520	73 130	49 470
New Zealand	0	0	0	0	30 250
Austria	0	0	2 750	1 380	23 380
Other	1 375	76 986	115 228	117 991	0

Source: *International Trade Data Bank, TIERS*

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APPENDIX B -- Pet Food Importers in South Korea

Dong Sung Trading Co.

Contact: Daong Sun Chang
2FL, Hankwang Bd, 249-10 Yeom
Kangseo-Ku, Seoul 157-040
Telephone: (82-2) 652-6710
Facsimile: (82-2) 652-1608
Comments: Imports pet foods and
animal by-products and meals.

Lucky Susan Company

Contact: Jai Dong
1-60-17, Taepyong-Ro, Chung-Ku
100-100, Seoul, South Korea
Telephone: (82-2) 736-4328
Facsimile: (82-2) 739-5689
Comments: Imports pet foods and
seafood.

William Mercantile Company

C.P.O. Box 5503 or 1021
Seoul, South Korea

Youngkwang Industrial Company

Contact: Meng Jhong Ha
#142-8 Sajik 3-Dong, Dongrae-Ku
Busan 607-123, South Korea
Telephone: (82-51) 503-1532
Facsimile: (82-51) 5031354
Comments: Imports pet supplies, veterinary
drugs and food additives.

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APPENDIX C -- Key Government Contacts and Support Services

Canadian Government Contacts

Department of Foreign Affairs and International Trade

Korea and East Asia Division (PKE)
125 Sussex Drive
Ottawa K1A 0G2
Telephone: (613) 996-2807
Facsimile: (613) 996-1248

Department of Foreign Affairs and International Trade

Market Intelligence Division (TBS)
125 Sussex Drive
Ottawa K1A 0G2
Telephone: (613) 995-1773
Facsimile: (613) 944-0050

Industry Canada

International Business Development
Division

Canadian Embassy in The Republic of Korea

Mailing address:
C.P.O. Box 6299
Seoul 100-662
Republic of South Korea
Street address:
10th Floor, Kolon Building
45 Mugyo-Dong, Jung-Ku
Seoul 100-170
Republic of Korea
Telephone: (011)(82-2) 753-2605, 753-2608, 753-7290, 753-7293
Facsimile: (011)(82-2) 755-0686, 756-0869

Agriculture and Agri-Food Canada

Sir John Carling Building
930 Carling Ave, Ottawa
K1A 0C5
Contact: Ann Kavanagh
Phone: (613) 759-7535
Email: KAVANAGH@EM.AGR.CA

Canadian Export Development Corporation

151 O'Connor St.
Ottawa K1P 5T0

DIVISION

235 Queen Street
Ottawa K1A 0H5
Telephone: (613) 990-4232
Facsimile: (613) 990-4215

OTTAWA, K1A 0H5

Telephone: (613) 598-2500
Facsimile: (613) 598-2503

South Korean government offices**Korean Embassy to Canada**

151 Slater Street, 5th Floor
Ottawa, Ontario
K1P 5H3
Telephone: (613) 232-1715 or 232-1817

Bureau of Customs and Tariff

Ministry of Finance
1, Joongang-Dong
Gwachun
Republic of Korea
Telephone: (82-2) 503-92-96
Facsimile: (82-2) 503-93-24
Telex: (0801) 23243

Agricultural Products and Marketing Bureau

1, Choongang-Dong
Kwachon, Kyonggi-Do
Republic of Korea
Telephone: (82-2) 503-7200
Facsimile: (82-2) 504-6658

Association of Foreign Trading Agents of Korea

Contact: Dong Jin B.D.
218 Hangkang-ro, 2-ga
Yongsan-ku, Seoul 140-012
Republic of Korea
Telephone: (82-2) 792-1581
Facsimile: (82-2) 785-4373

Korea Trade Promotion Corporation

Suite 600, P.O. Box 9
Thomson Building
65 Queen Street West
Toronto Ontario
M5H 2M5
Telephone: (416) 368-3399
Facsimile: (416) 368-2893

Ministry of Trade

1, Choongang-Dong
Kwachon, Kyonggi-Do
Republic of Korea
Telephone: (82-2) 503-7171
Facsimile: (82-2) 504-9496

Chambers of commerce and industry associations**Seoul Chamber of Commerce**

45, Namdaemunno 4-ga
Chung-gu, Seoul
Republic of Korea
Telephone: (82-2) 757-0757
Facsimile: (82-2) 776-8213, 757-9475
Telex: CHAMBER K25728

The Industrial Bank of Korea

50 Ulchiro 2-ka
Chung-ku, Seoul
Republic of Korea
Telephone: (82-2) 729-4475
Facsimile: (82-2) 729-7002

The Korea Development Bank

10-2 Kwanchul-Dong
Chongro-ku, Seoul
Republic of Korea
Telephone: (82-2) 398-6335
Facsimile: (82-2) 723-4475

Association of Foreign Trading Agents of Korea

Mr. C.S. In
218, Hangangro 2-Ka
Yongsan-Ku, Seoul
Telephone: (82-2) 792-1581
Facsimile: (82-2) 780-4337

Finance and Economic Board

1 Jungang-Dong
Kwachon
Kyunggi-do
Telephone: (82-2) 500-5424
Facsimile: (82-2) 503-9273

**Consultation Office for Overseas Companies
(COOC)**

KOEX Building
159 Samsong-dong
Kangnam-Ku, Seoul 135-1311
Telephone: (82-2) 551-1115, 551-1127
Facsimile: (82-2) 555-7414, 551-1311

Canadian banks in South Korea**The Bank of Nova Scotia**

C.P.O. Box 7783
9th Floor,
The Korea Chamber of Commerce and Industry Building
#45, 4-ka, Namdaemoon-ro, Chung-ka
Seoul, Korea
Telephone: (82-2) 757-7171
Facsimile: (82-2) 752-7189
Telex: K29245 SCOTIAX

The Royal Bank of Canada

C.P.O. Box 5374
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Facsimile: (82-2) 736-2995
Telex: K24834

National Bank of Canada

K.P.O. Box 584
6th Floor, Leema Building
146-1 Soosong-dong, Chongro-gu
Seoul, Korea
Telephone: (82-2) 733-5012
Facsimile: (82-2) 736-1508
Telex: K25043

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1. How did you obtain a copy of this market report?

- InfoCentre FaxLink system Government worldwide web site
 InfoCentre help line InfoCentre bulletin board system
 Local government office Other: _____

2. How would you describe this market report?

	Strongly agree	Agree	No opinion	Disagree	Strongly disagree
Useful	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complete	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Well organized	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Well written	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ideal length	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. In what form do you prefer to obtain these reports?

- Print Electronic

4. Based on the information in this report, what specific action(s) does your organization plan to take in this market? Check all that apply.

- Seek an agent/distributor Contact Canadian trade office abroad
 Visit the market Participate in a trade show abroad
 Do more research Nothing
 Other: _____

5. What other market reports would be of benefit to your organization? Please identify specific products and countries. _____

6. Which of the following categories best describes your organization? Check one only.

- Processor/manufacturer Government
 Trading house Student/academia
 Export service provider Consultant
 Industry/trade association Other: _____

7. What were your organization's total sales last year, in Canadian dollars?

- Less than 10 million 10 million to 50 million
 More than 50 million Not applicable

Additional comments/suggestions for improvement: _____

OPTIONAL — The name of your organization is: _____

