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Organic Products

Organic Market Update 2008

2008

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Report Highlights:
Although the value of the Korean organic market, currently estimated at $43 million, continues to show promise; the new organic certification program issued by the Ministry of Food, Agriculture, Forestry and Fisheries (MIFAFF), which goes into effect on June 28, 2009, will require imported products to be certified by a Korean certification agency.

Includes PSD Changes: No
Includes Trade Matrix: No
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[KS]

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SECTION I. SUMMARY

The Korean organic foods market, including fresh produce, field crops, and imported processed food has shown strong growth over the last several years. The total market for imported organic food was $43 million in 2007, an increase of 34 percent compared to the previous year. However, new organic import regulations will go into effect on June 28, 2009 and this may result in a dramatic decline of imported organic processed products.

The organic market has done well in Korea because consumers are very health conscious and increasingly greater disposable incomes have led to more purchases by a larger segment of the population. The recent protests over U.S. beef imports and BSE has spurred an even greater interest in organic foods. Consumers worry about food safety and issues such as GMOs, AI and transfats are often mentioned in the media.

The majority of processed organic product offerings are imported brands that are sold in specialist channels such as eco friendly-organic shops and health food shops as well as food corners in department stores. Only about 11 percent of the organic products found in the Korean market are imported processed products while over 78 percent are manufactured in Korea using imported organic ingredients. Nevertheless, as the wellbeing trend is set to become even more prominent in Korea and if the regulatory hurdles can be overcome, the prospects for imported organic food seem bright.

Table 1. Advantages vs. Challenges

Advantages	Challenges
Local production of processed organic products is negligible.	Local new organic regulations will make it extremely difficult to import any organic product in the future as it will require approval by a Korean organic certifying agent.
Consumers are increasingly aware of organic products and the demand is growing.	Imports of organic products are usually purchased in consolidated shipments and importers lack information about U.S. organic product consolidators.
Korea imports 60-70 percent of total food and feed needs.	There are few Korean importers for organic products and when new importers try to enter the market they have very little knowledge about imported processed organic products. As a result, the variety of products is very similar from store to store.
According to importers, Koreans prefer the taste of U.S. organic foods to those from our competitors.	U.S. exporters of organic products tend to be smaller suppliers with little international experience and little knowledge of the Korean market. In addition, many U.S. suppliers do not view the Korean market as an opportunity.
In general, consumers trust the USDA label.	Consumers are increasingly concerned with food safety and are not confident on the reliability of organic certificates. The media often highlights problems with imported organic certificates.
Tariffs for processed organic products are relatively low.	The shelf-life of imported organic processed products is very short and the products are difficult to sell. As a result, the products are priced 200-600 percent higher than conventional counterparts.

Table 2: Imports of Organic Processed & Unprocessed Agricultural Products by Year

Unit: Metric Tons (MT), Million (M)

Year		2004	2005	2006	2007
Imports Cases		1,588	2,290	2,674	3,553(+33%)
Imports Weight (MT)	Unprocessed	5,615	6,810	5,600	9,000(+61%)
	Processed	4,400	7,090	11,300	16,000(+42%)
	Total	10,015	13,900	16,900	25,000(+48%)
Imports Value (M)	Unprocessed	$1.7M	$3M	$5M	$7M (+40%)
	Processed	$12.6M	$32.4M	$27M	$36M (+33%)
	Total	$14.3M	$35.4M	$32M	$43M (+34%)

Source: Korea Food & Drug Administration 2008
Note: Based on CIF Price. In general, the retail market price is 2.5-3 times higher than the CIF price.

SECTION II. REGULATIONS AND POLICY

New Organic Certification Program issued by MIFAFF on June 28, 2008

According to the Food Industry Promotion Act promulgated by the Ministry for Food, Agriculture, Forestry and Fisheries (MIFAFF), imported organic products will no longer be allowed to carry an organic label unless receive certificate from a Korean certifying agency. MIFAFF has given a one-year grace period and these new regulations will go into effect on June 28, 2009.

In the past, there was no Korean certification program for processed organic products. The Korea Food and Drug Administration (KFDA) had developed a labeling program that allowed the USDA organic label on imported products accompanied by a U.S. organic certificate. Recently it was decided by the Korean government to give oversight authority for a Korean organic certification program to MIFAFF. Hence forth, this new program will apply to both domestic and imported organic products. During the grace period, processed products certified organic under either KFDA or MIFAFF standards will be acceptable.

Unprocessed products, such as meat, dairy, grain and fresh produce will continue to be handled by MIFAFF as they have been in the past. Unprocessed products have always needed to be certified by a Korean certification agent. However, the National Veterinary Research Quarantine Service (NVRQS) will accept U.S. processed organic dairy products, such as cheese and butter if they are accompanied by a valid health certificate and an organic certificate from a USDA-accredited organic certification agent. The regulations for fresh organic produce and grains are implemented by National Agricultural Products Quality Management Service (NAQS). For livestock and processed livestock products including dairy products, National Veterinary Research Quarantine Service (NVRQS) is the regulatory agency.

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The new program based upon the Food Industry Promotion Act will maintain a zero tolerance for genetically-modified ingredients and specifies a list of substances, including food additives that are permitted for use in organic products. The current proposed list was based on Codex, IFOAM and practices in other countries, such as the United States, Japan and the European Union. Please contact our office if you wish to receive a copy of this proposed list.

A. Certification Requirements for Imported Processed Organic Products

As previously mentioned, before June 2009, KFDA will still accept organic certificates issued to the producer, processor or manufacturer of organic products, which is why these documentation requirements are being listed here. (KFDA does not accept organic certificates issued to handlers.) Please be aware that after June 2009, these documentation requirements will no longer be used.

Documentation Requirements to Qualify for Imported Organic Food Products (valid until June 2009)

The following two documents should be presented to regional offices of the KFDA when submitting an import application for organic food products for import clearance.:

1. A copy of an organic certificate issued by the USDA-accredited certifying agent. The certificate must include the following information:

(a) Name, address, and phone number of the certifying agent
(b) A list of the types of organic food the operation is certified by the certifying agent to produce or process
(c) The company name, address, and effective date (or renewal date) of the certification

2. An original ingredient statement (a list of all ingredient names) issued by the manufacturer (only required for organic food products made of mixed ingredients) that includes the office/department/division name, name and signature of the issuer.

Korea maintains a list of usable food additives and some are only allowed in certain food products. Exporters should send a sample of the product and a list of the ingredients to the Food Standard Division of KFDA (www.kfda.go.kr, Tel: 001 82-2 380-1665/8; Fax: 001 82-2 382-4892) to verify compliance with Korean requirements. The U.S. Agricultural Trade Office (ATO) and/or the importer are also sources of information if there is a question about a particular food additive.

Problems persist with KFDA labeling on goods containing genetically modified organisms (GMO) and importer documentation. In March 2005, The Korea Food and Drug Administration (KFDA) revised its regulations regarding imported organic foods to include a zero tolerance policy for genetically modified (GM) content in foods labeled as organic. KFDA does not allow for the "adventitious presence" of GM content in organic products. In contrast, KFDA allows a 3 percent tolerance for GM content in imported or domestically produced food that is not labeled as organic. This revision puts U.S. organic food manufacturers at a disadvantage when exporting to Korea. The National Organic Program (NOP) in the U.S. allows for the adventitious presence of GM material in organic product.

B. Labeling Requirements for Imported Processed Organic Products

Before June 2009, labeling requirements for processed organic agricultural products will be determined by KFDA. The following labels may be used depending on the percentage of organic ingredients contained in the product.

1. 100%: when the finished food product does not contain any other food or food additive except for organic agricultural ingredients, the label "100% organic agricultural product" or similar labels may be used.

2. Not less than 95%: when not less than 95 percent of the raw materials contained in the finished food product are organic agricultural ingredients, the term "organic" or similar terms may be used as a part of the product name and stated on the main labeling panel of the container or package; and the name, seal and logo of the organization that certified the organic agricultural produce used in the product, as well as other certification information, may be stated. In this case, the content of the organic agricultural ingredients must be stated in percentage terms on the raw material section of the label.

3. Less than 95% but more than 70%: when 70 percent or more but less than 95 percent of raw materials contained in the finished food product are organic agricultural ingredients, the term "organic" or similar terms may be stated on a labeling surface of the container or package other than the main labeling panel. In this case, the content of the organic agricultural ingredients must be stated in percentage terms on the raw materials section of the label.

4. Others: when a food not included in (1) through (3) above includes organic agricultural products, the term "organic" or similar terms may be used as a part of the names of such ingredients on the raw materials section of the label. In this case, the content of individual organic agricultural ingredients must be stated in percentage terms on the raw materials section of the label.

C. Labeling Regulations for Organic Agricultural Products - Sustainable Agriculture Promotion Act (Administered by MIFAFF)

On December 13, 1997, the Sustainable Agriculture Promotion Act was passed. In December 1998, the Presidential Decree and the Ministerial Ordinance of the Act were released with the aim to identify matters covered by the Act and details needed to enforce the Act. The latest revision of the legislation is February of 2008.

Organic produce is classified into three categories for agricultural produce: organic produce, no-pesticide produce, and low-pesticide produce, and can be labeled accordingly. For livestock products, two categories of certification are available; organic livestock and no antibiotic livestock. For imported organic agricultural produce, the product is required to get certification from an official certification agency recognized by MIFAFF. To date, MIFAFF has officially designated 49 Korean certification agencies. No foreign entities have been designated. Unlike KFDA's labeling regulations for organic processed products, organic agricultural produce complying with the U.S. organic standards or international standards still needs certification from MIFAFF's official certification agency to carry a "Korean language organic label" in the Korean market. Also, a foreign language organic label (such as the USDA organic logo or organic claims) for raw unprocessed products is not permitted unless they are certified by MIFAFF's certifying agents.

The MIFAFF Sustainable Agriculture Team establishes the regulations for organic products. The National Agricultural Products Quality Management Service (NAQS) enforces these regulations.

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SECTION III. CONSUMPTION AND MARKET SECTORS

A. Consumption

The consumption pattern for organic products is changing. In the past, most organic products were purchased for infants, children and people with diseases; however, due to higher disposable incomes, it seems that these patterns are broadening to include the whole family. The age group with the most buying power is the 39 to 42-year old age group who earns an estimated $8,500 per month and spends about an average of $50 every time they go shopping on organic foods. They mostly shop at high end specialty shops such as ORGA.

In Korea, the population is rapidly aging and elderly consumers consider healthy eating to be a top priority. Judging by the constant coverage of the local media on how to lead a healthy life, this can be seen as a major social issue. Early seniors seem to be more interested in eating healthy foods and combined with a greater understanding on how to use the internet to shop for food, this segment may become a major purchaser of organic products in the future. In the 50-60 year age group, home shopping channels and internet sales are growing faster than off-line shopping.

Health and wellness is the main focus of the public and eating healthier foods has definitely increased. This trend can be seen in all food sectors, including fresh foods, packaged foods, and food service establishments. A recent survey indicated that 61 percent of consumers purchased organic products due to concerns about their health and food safety.

Consumers used to have the impression that organic food did not taste as good as conventional food and on top of that, the package design used to be unappealing. Recently however, manufacturers have developed products that taste just as good as conventional counterparts and package designs have become much more developed to meet consumers' demands.

The majority of consumers for organic products live in the Seoul metropolitan area. Seoul residents typically earn higher incomes, are more sophisticated, and more interested in living a luxurious lifestyle than their rural counterparts.

Most consumers purchase organic products, fresh and processed, local and imported at discount stores (46%). After that, the majority of organic purchases are made at agricultural cooperatives (22%), specialty shops (11%), farmers markets (7%) and department stores (6%).

Table 3: Monthly Average Food Expenditure and EFA Food Expenditure

Monthly Income	Less than $2,000	$2,000-$3,000	$3,000-$4,000	$4,000 – $5,000	$5,000 - $6,000
Average monthly Food Expenditure 1/	$350	$400	$440	$500	$540
Average Monthly EFA Food Expenditure	$90 (26%)	$106 (27%)	$120(27%)	$160 (32%)	$185 (34%)

Source: 2008 Agriculture Prospects by Korea Rural Economic Institute
1/Except the Eating Out Expenditure

B. Market Sectors

RETAIL FOODS

Entry Strategy

There are many importers/distributors of organic products currently supplying the Korean market. However, most of the importers seem to be working with the same U.S. consolidators, resulting in very similar offerings of U.S. processed organic products throughout Seoul. As the number of importers increases and these importers gain more experience, they are beginning to import directly from U.S. suppliers and distribute these products to retailers and wholesalers. According to local importers, Korean consumers seem to prefer U.S. products; however, due to the limited number of U.S. products available for export, importers have turned to other suppliers in Europe and Australia in order to meet consumers' demand for greater variety. Suppliers from other countries seem to be more responsive to local demand.

New-to-market exporters can create product awareness by presenting their products to importers/distributors or they can attempt to develop a relationship with an importer/distributor who is currently not importing organic products. To reach the latter audience, exhibiting the product at a food show or at an organic event is an effective way to promote branded organic products (see Section V to learn more about upcoming promotional activities).

Other Suppliers as Competitors

The United States supplies the majority of organic processed products to Korea, but this is likely to change in the future. The presence of GMO in a product has become a significant barrier for U.S. products. European suppliers are willing to compensate Korean importers if even trace amounts of a GMO is found in the organic product. Small and medium sized European organic suppliers seem to have more experience in exporting than their U.S. counterparts. They work closely with importers, try to meet their needs, and are very supportive in helping the importer resolve any problems that may arise. Importers who purchase products from the United States must be able to fill a 40-foot container, whereas the European Union and Asian countries are willing to shop by 20-foot containers. It is also very likely that the EU-Korea Free Trade Agreement will be concluded and ratified prior to the U.S.-Korea Free Trade Agreement, giving an added advantage to European suppliers.

Despite this, Korean consumers actually prefer organic products from the United States. Many consumers feel the American products taste better, the English labels are easier to read, and they have confidence in the USDA organic seal. Major organic processed food importers purchase about 50 percent of their products from the United States, about 45 percent from the European Union and about 5 percent from other countries including other Asian countries.

Market Summary

The size of the retail market is estimated to be $318 million for organic agricultural products. The organic market is expected to grow along with Korea's rising GNP as consumers become more aware of the environment and food safety.

Table 4: Size of the Korean Organic Market (2007)

	Processed Food			Agriculture Products			Total
	Imports	Domestic	Total	Imports	Domestic	Total	
Value ($ Million)	$19.1	$157.7	$176.8	$34.1	$107.4	$141.5	$318.3
Share (Percentage)	6%	49%	55%	11%	34%	45%	100%

Source: Korea Food Research Institute, 2008

Most of domestic ally produced organic processed food is manufactured using imported organic ingredients. In general, imported agriculture products, such as wheat and soybeans are used to produce organic tofu and cereals.

Table 5: Organic Retail Outlets in Korea (2007)

Type of Retail Outlet	Specialty Shop	Discount Store	Shopping Center	National Agriculture Cooperative Federation	Department Store	Others	Total
Number of Stores	501	299	138	123	74	64	1,199
Share (%)	41.8%	24.9%	11.5%	10.3%	6.2%	5.3%	100%

Source: Food Journal, June 2008

The prices for organic produce are not substantially different from their conventional counterparts; however, the prices for processed organic products are well above those for conventional processed products (See Table 6-8). This price difference may limit organic market expansion. Nevertheless, many Korean consumers perceive a benefit and are willing to pay the higher prices.

ORGA

The ORGA stores are the major eco-friendly & organic product stores in Korea. The first store opened in 1997 and was closely benchmarked against the U.S. Whole Food Markets. They carry over 3,000 environmentally friendly, organic and conventional products. They have quickly grown to eight stand alone shops and 21 organic sections within the Lotte Department store. In order to upgrade their image, a newly opened Lotte Department store features an ORGA section that comprises one third of whole grocery area. Typically, ORGA imports 150 organic products directly and 550 organic products are either locally produced are purchased through a distributor. Half of the store is set up for fresh produce products including meat and fish, 40 percent for processed foods including frozen foods, and 10 percent for industrial products, such as cleaning or personal hygiene products. In the future, ORGA would like to have a greater share of their store devoted to processed products rather than to fresh produce similar to Whole Foods.

Sector Trends

Department stores in Korea rent space on their grocery floor for independent concessions, which are managed by importers/distributors. These “shop-in-shops,” as they are often called, have become an extremely popular mechanism for selling organic products in department stores and discount stores. There are about 1,000 varieties of imported processed organic products, mostly spaghetti sauces, cereals, special nutritious foods, baby foods, cookies, chocolates, and beverages. According to industry sources, the number of brands has grown rather than the variety of products. High ends shops, such as specialty shops and department stores have greater sales volumes compared to other organic retail outlets.

Table 6: Imported Organic Processed Food Price Premium (2007)

Products	Unit	Organic Food			Conventional Food		Price Premium (a/b)
		Price per Unit (US$) * (a)	Manufacturing Country (Country of Ingredients)	Country of Certificate Agency	Price per Unit (US$)*(b)	Manufacturing Country (Country of Ingredients)	
Cereal	100 Grams	$3	U.S. (U.S.)	USDA (U.S.)	$2.35	U.S.(U.S.)	1.28
Dried Prune	100 Grams	$2.6	U.S. (U.S.)	USDA(CCOF)	$1.6	U.S.(U.S.)	1.64
Olive Oil	100 mile liter	$2.6	U.S. (U.S.)	USDA(U.S.)	$1.24	Spain(Spain)	2.13
Strawberry Jam	100 Grams	$1.6	U.S. (U.S.)	USDA (U.S.)	$0.7	U.S.(U.S.)	2.24
Balsamic Vinegar	100 Grams	$5	U.S. (U.S.)	USDA(CCOF)	$2.2	Spain(Spain)	2.27
Mayonnaise	100 Grams	$2.9	U.S. (U.S.)	USDA(QAI)	$1	Japan (Japan)	2.75
Instant Coffee	100 Grams	$14	U.K. (U.K.)	SAC(U.K.)	$5	Brazil	2.8
Cocoa	100 Grams	$4	Brazil	O(ECOCERT)	$1	U.S.	3.93
Soy Sauce	100 Grams	$3	Japan (Japan)	JAS(JONA)	$0.6	Japan(U.S.)	5.0
Sweet Corn	100 Grams	$2.6	Germany (Germany)	Bio(Germany)	$0.4	France(France)	5.88
Tomato Ketchup	100 Mile liter	$2	Germany (Germany)	Bio(Germany)	$0.33	U.S.(U.S.)	5.92
Cola	100 Milliliter	$0.7	France	O(ECOCERT)	$0.12	Korea (Imported)	6.87
Salt	100 Grams	$3.3	New Zealand(New Zealand)	BIO-GRO (New Zealand)	$0.37	U.S.(U.S.)	8.85
Brown Sugar	100 Grams	$1	U.S. (U.S.)	USDA(QAI)	$0.11	Korea (Imported)	8.64
Chocolate	100 Grams	$9.7	U.S. (U.S.)	USDA(ICS)	$1.1	U.S.(U.S.)	8.95
Average	4.61						

Source: Surveyed in organic specialty shops and department stores on July 2007.
*Exchange Rage: One US$ is equivalent to 1,000 Korean Won.

Table 7: Organic Processed Food (Domestic Manufactured with Imported Ingredient) Price Premium (2007)

Products	Unit	Organic Product			Conventional Product		Price Premium(a/b)
		Price per Unit (US$)(a)	Manufacturing Country (Ingredient Country)	Certificate Agency (Certified Country)	Price per Unit(US$)(b)	Manufacturing Country (Ingredient Country)	
Baby Food	100 grams	$5.70	Korea(New Zealand)	-	$5.31	Korea (Imported)	1.07
Tofu	100 grams	$0.73	Korea(China)	-	$0.67	Korea (Imported)	1.09
Barley Tea	100 grams	$0.56	Korea(China)	-	$0.46	Korea (Imported)	1.23
Chocó Chip Cookie	100 grams	$2	Korea (Imported)	-	$1.58	Korea (Imported)	1.27
Corn Tea	100 grams	$0.62	Korea (China)	-	$0.48	Korea (Imported)	1.28
Soybean Paste	100 grams	$1	Korea (China)	OFCD (China)	$0.67	Korea (Imported)	1.50
Apple Juice	100 ML (Milliliter)	$0.83	Korea (Netherlands)	-	$0.52	Korea (Imported)	1.61
Orange Juice	100 ML	$0.83	Korea (Brazil)	-	$0.52	Korea (Imported)	1.61
Tomato Juice	100 ML	$0.83	Korea (Turkey)	-	$0.52	Korea (Imported)	1.61
Grape Juice	100 ML	$0.83	Korea(U.S.)	-	$0.52	Korea (Imported)	1.61
Cheese	100 grams	$1.90	Korea(New Zealand)	-	$1.13	Korea (Imported)	1.69
Red Pepper Paste	100 grams	$1.60	Korea(China)	OFDC(China)	$0.82	Korea (Imported)	1.92
Broiled Sesame	100 grams	$3.2	Korea(China)	-	$1.63	Korea (Imported)	1.98
Mayonnaise	100 grams	$1.3	Korea(U.S.)	-	$0.64	Korea (Imported)	2.07
Soy Sauce	100 ML	$1.1	Korea (China)	-	$0.37	Korea (Imported)	2.99
Sesame Oil	100 ML	$5.6	Korea(China)	-	$1.71	Korea (Imported)	3.26
Tomato Ketchup	100 grams	$1.13	Korea(Turkey)	-	$0.25	Korea (Imported)	4.50
						Average	1.90

Source: Surveyed in Organic Specialty Shops and Department Stores on July 2007
*Exchange Rate: One US$ is equivalent to 1,000 Korean Won.

Table 8: Organic Processed Food (Domestic Manufactured with Domestic Ingredient) Price Premium (2007)

Products	Unit	Organic Product			Conventional Product		Price Premium (a/b)
		Price per Unit (US$)*(a)	Manufacturing Country (Ingredient Country)	Certificate Agency (Certified Country)	Price per Unit (US$)*(b)	Manufacturing Country (Ingredient Country)	
Yoghurt	100 ML (mile liter)	$1.16	Korea (Korea)	-	$1.10	Korea (Korea)	1.05
Cocoa Cookie	100 grams	$2	Korea (Korea)	-	$1.60	Korea (Korea)	1.25
Kale Cookie	100 grams	$2	Korea (Korea)	-	$1.60	Korea (Korea)	1.25
Garlic Powder	100 grams	$8.7	Korea (Korea)	-	$6.13	Korea (Korea)	1.42
Green Tea	100 grams	$25	Korea (Korea)	Certified Quality (Korea: NAQS**)	$16.25	Korea (Korea)	1.54
Ginger Powder	100 grams	$21.25	Korea (Korea)	-	$9.17	Korea (Korea)	2.32
Straw berry Jam	100 grams	$1.6	Korea (Korea)	-	$0.52	Korea (Korea)	3.05
Milk	100 ML	$0.67		-	$0.17	Korea (Korea)	3.83
						Average	1.96

Source: Surveyed in Organic Specialty Shops and Department Stores on July 2007
*Exchange Rate: One US$ is equivalent to 1,000 Korean won.
**: NAQS (National Agricultural Products Quality Management Service)

FROZEN FOOD

Entry Strategy

An effective market entry strategy for new-to-market exporters of frozen organic products is to begin by contacting existing importers/distributors, restaurat and food service suppliers. Exhibiting the products at a food show or menu promotion event is usually the most efficient way to present new products to importers/distributors. (see Section V to learn more about upcoming promotional activities)

Market Summary

COSTCO
The leading retail outlet for frozen food is COSTCO which currently has five stores nationwide. COSTCO sells the largest variety of frozen foods. They are able to be price competitive with other discount stores because of their membership fees and bulk purchasing directly from manufacturers

Organic Soy Ice-cream – Turtle Mountain

Turtle Mountain, an American premium organic soy ice cream is very popular among young women in Korea. Turtle Mountain is sold mainly through 29 ice cream shops called Purely Decadent, which targets 20 to 30-year old women. Purely Decadent has plans to expand the number of shops to 50 within the next two years. They also distribute Turtle Mountain ice cream to department and discount stores. Sales for this brand of ice cream are high during both the summer and winter seasons.

Frozen Corn, Peas and Vegetable Mixes – GW Food Company

Processed corn, peas and vegetable mixes used to be contained in cans with water, some of which are produced in Korea with imported dried vegetables. However, one U.S. company, GW Food Company, has been providing quick frozen vegetables in plastic bags since 2004. Now, some canned products are being replaced by this U.S. frozen product for home, restaurants, and school meal use.

Table 9: Organic Sweet Corn and Peas Price Premium (2008)

Products	Unit	Organic Product			Conventional Product			Price Premium (a/b)
		Price per Unit (US$)*(a)	Exporting Country	Type of Package	Price per Unit (US$)*(b)	Exporting Country	Type of Package	
Sweet Corn	250 Grams	$3.5	U.S.	Plastic Bag	$2	U.S.	Plastic Bag	1.75
	280 Grams	$2.80	France	Canned	$1.90	France	Canned	1.47
	220 Grams	$8.50	Germany	Glass bottled				
	280 Grams				$0.90	U.S.	Canned	
	280 Grams				$0.8	Thailand	Canned	
					$1.0	New Zealand	Plastic Bag	
Peas	250	$3.5	U.S.	Plastic Bag	$2.50	U.S.	Plastic Bag	1.40
	230	$7.5	Germany	Glass Bottled				
	1,130 Grams	$10	U.S.	Plastic Bag				
	240				$0.8	U.S.	Canned	

Source: Surveyed from department stores and discount stores in August 2008

Amy's Kitchen

Amy's Kitchen was launched in 2002 into the Korean market and their sales have increased by about 35 percent every year. They provide vegetarian products using soy as a replacement for dairy.

Sector Trends

As the technology improves and food can be frozen that retains its taste and original texture, the market for frozen organic food is expected to grow. In the past, most Koreans shopped daily and it was common for a household to have only a very small freezer. This has changed and consumers are now shopping once a week. In the past 5-10 years, the size of the freezer has also grown to be comparable to western sized freezers.

According to an industry source, consumers feel frozen foods are convenient and safe. In addition, a small portion can be consumed while the rest remains frozen eliminating waste.

FOOD SERVICE PRODUCTS

A few restaurants do have an organic menu item or two, but it is mostly limited to domestically grown vegetables. However, several schools have started to use environmentally-friendly agricultural (EFA) products and U.S. frozen vegetables for school meals and the demand for these products are growing from parents.

SECTION IV. PRODUCTION AND PROMOTION

A. Production

Domestically produced organic products consisted mainly of fresh vegetables, some fruits, and grains. Organic processed food in Korea is still in the early development stage and is limited in terms of product availability. Most of the domestically processed organic products are manufactured with imported ingredients as follows:

Table 10: Domestic & Imported Organic Foods Market (2007)

		Retail Sales ($Million)	Growth Rate from 2006 to 2007 (%)
Organic Agriculture Products Total (a)		**$141.5M**	+27.0%
Domestic - $107.4M			+17.9%
Imports - $34.1M			+68.0%
Organic Processed Foods (b)		**$176.8M**	+24.6%
Domestic			+27.6%
(Domestic Ingredients – Domestic Processed) - $19.8M			+11.9%
(Imported Ingredients - Domestic Processed) - $137.9M			+30.2%
Imported Finished Products - $19.1M			+4.4%
Total	**Organic (a+b)**	**$318.3M**	+25.7%

Source: Organic Processed Food data resourced from survey of distribution companies.
Organic agriculture products data from Korea Rural Economic Institute (2007.6.4)

B. Exports

Currently, very little domestically produced organic produce or grain is being exported. The Korean government plans to promote organic products as an export-oriented item, but that has not yet happened.

SECTION V. PROMOTIONAL ACTIVITIES

- Seoul Food and Hotel 2009 (May 13-16, 2009): The U.S. Pavilion will include organic product exhibitors. One-on-one meetings can be arranged for participating exhibitors. Also, U.S. Organic Trade Association (OTA) will participate in the show and open to display the products and distribute the company information upon application of U.S. organic product exporters. ATO Seoul will manage the OTA booth by the application companies. For more information about this show, please contact our office.

- Organic Food Expo Uljin Korea 2009 (July 24-August 16, 2009): The second Organic Food Expo Uljin 2009, which will be held in Uljin, Kyungsangbukdo and organized by Uljin World Environment-friendly Agriculture Expo Committee. ATO Seoul will participate in the show. Visit www.ofex.or.kr for more information.

SECTION VI. POST CONTACT AND FURTHER INFORMATION

For more information or assistance, please contact:
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