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Global Analysis Report

Inside South Korea

The Fish and Seafood Trade

February 2015

TRADE SUMMARY

South Korea is the 26th most populous country in the world with 50.2 million people. The population is expected to reach 51.0 million by 2017. It is also the third largest economy in the Asia-Pacific region after Japan and China.

South Korea is highly urbanized (80%) and nearly a quarter of its population lives in Seoul. The population generated a gross domestic product (GDP) of US$1.2 trillion in 2013, which is expected to grow by 3.5% in 2014.

South Korea relies on imported food to satisfy 70% of their food needs. Local agriculture is having problems keeping up with the demand for the current consumption trends in South Korea. Imported products and agribusinesses that offer good value, high quality, health or nutritional benefits, new tastes, and convenience, are showing strong growth in the market.

In the fish and seafood market, South Korea imported C$3.8 billion in 2013, a negligible increase of 0.5% from 2012. However Korea's supply is very diversified, as it imports fish and seafood from over 90 countries. The country's top suppliers in 2013 were China (with a 26.5% share), Russia (15.9%), Vietnam (13.1%), the United States (5.9%), and Norway (3.2%).

South Korea exported C$2.0 billion of fish and seafood in 2013, a decrease of 8.2% from the previous year. South Korea's leading export destinations were Japan with a 39.5% share, China with 17.8%, and Thailand with 10.4%.

The Canada-Korea Free Trade Agreement signed in September 2014, coupled with the anticipated positive growth trend of the Korean economy, should generate greater export opportunities for Canadian suppliers in the coming years.

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CANADIAN PERFORMANCE

Canada was the 10th-largest supplier of fish and seafood to South Korea, with sales of C$79.2 million in 2013 (based on South Korea import data). This represents an increase of 26.2% from 2012. The leading products imported from Canada included fresh/live lobsters (C$32.3 million), live eels (C$13.1 million), frozen fish (C$9.0 million), frozen lobster (C$4.9 million), and frozen crab (C$4.1 million).

South Korean Fish and Seafood imports from Canada, 2001-2013 in C$

Commodity	Description	Canadian Dollars			% Share			% Change
		2011	2012	2013	2011	2012	2013	2013/12
030622	Live/fresh lobsters	16,236,532	21,767,705	32,392,666	23.99	34.7	40.9	48.81
030192	Live eels (Anguilla Spp.)	2,052,979	4,352,934	13,110,914	3.03	6.94	16.55	201.2
030389	Frozen fish	0	6,698,012	9,025,748	0	10.68	11.4	34.75
030612	Frozen lobsters	6,455,516	7,916,528	4,970,082	9.54	12.62	6.28	-37.22
030614	Frozen crabs	1,599,515	3,180,137	4,154,330	2.36	5.07	5.25	30.63
030616	Frozen cold-water shrimps and prawns	0	2,071,112	2,489,508	0	3.3	3.14	20.2
160559	Prepared molluscs	0	3,709,456	2,464,013	0	5.91	3.11	-33.57
030382	Frozen rays and skates	0	2,214,521	1,952,342	0	3.53	2.46	-11.84
030779	Clams, cockles and ark shells	0	2,200,440	1,942,634	0	3.51	2.45	-11.72
150420	Fish fats and oils	3,969,183	3,331,012	1,777,683	5.86	5.31	2.24	-46.63

Source: *Global Trade Atlas, 2014.*

BY THE NUMBERS

According to latest available data on the South Korea Ministry of Agriculture Forestry and Fisheries website, the volume of seafood production has almost doubled since 2003 and the value of production has increased accordingly. However, the value continued to increase after 2008 even when the production volume went down.

Total South Korean Seafood Production 2008-2013 by Volume in Metric Tonnes

Year	Total Production	Adjacent Waters	Shallow Sea Cultures	Distant Waters	Inland Waters
2008	3,361.255	1,284,890	1,381,003	666,182	29,180
2009	3,182,342	1,226,966	1,313,355	611,950	30,071
2010	3,110,634	1,132,536	1,355,000	592,116	30,982
2011	3,255,929	1,235,489	1,477,546	510,624	32,270
2012	3,183,423	1,091,034	1,488,950	575,308	28,130
2013	3,155,324	1,044,639	1,535,344	549,928	25,413

Source: *Ministry of Agriculture, Forestry & Fisheries of South Korea*

The Korean peninsula is surrounded by water; seafood has long been consumed as a staple food for most Korean people. Statistical data indicates that, aquaculture in 2013 has become the largest source of fish and sefood, with production reaching 1,535,344 Metric Tonnes (M/T), and it has risen almost each year after aquaculture output of 653,000M/T was first recorded in 2000[1]. Inland fishery is the other sector of the fishing industry. However, production remains small in mountainous Korea, with production of just 25,413 M/T of inland freshwater fishery reported in 2013.

Domestic fisheries production is not enough to satisfy the demand. South Korea imported for C$3.8 billion of fish and seafood from the world 2013. The major fish species that Korea imported are a variety of frozen fish, Alaska pollock, shrimps and prawns, salmon and lobster.

Top Ten Suppliers of Fish and Seafood to South Korea and Top Imported Products in 2013 (Based on S. Korea Import Data)

Rank	Country	Total Import Value (C$)	Top Import Product Supplied	Top Import Value (C$)	Top Import Quantity (M/T)
	World	**3,803,349,735**	**Frozen fish**	**506,866,835**	**N/A**
1	China	1,010,447,973	Frozen fish	258,245,015	114,326
2	Russia	608,292,616	Frozen Alaska pollock	209,099,591	187,092
3	Vietnam	499,226,530	Frozen shrimps and prawns	126,942,534	13,156
4	United States	226,807,323	Frozen Alaska pollock	45,188,889	17,041
5	Norway	124,605,618	Fresh Atlantic and Danube salmon	46,065,271	4,294
6	Chile	124,323,449	Frozen Atlantic and Danube salmon	41,117,363	7,064
7	Thailand	121,824,925	Frozen shrimps and prawns	30,211,743	3,712
8	Taiwan	121,175,839	Frozen fish	63,446,462	46,688
9	Japan	107,706,568	Live fish	23,239,793	2,146
10	Canada	79,203,672	Live/fresh lobsters	32,392,666	1,606

Source: *Global Trade Atlas, 2014 M/T=Metric Tonne*

According to Euromonitor, Koreans' seafood consumption per capita was 56.1kg (fishery products and shellfish being 41.6kg and seaweed 14.5kg) in 2013. Sharing a similar food culture with China and Japan, South Korean people consume fish steamed, fried, boiled, blanched and even raw. Consequently the wholesomeness of the fish and seafood product not only is critical for the taste, but is also a food safety concern. Korean consumers prefer fresh or chilled fish to frozen fish as they think fresh fish tastes better than frozen fish after cooking. For that reason, fresh or chilled fish tends to cost more than frozen fish.

[1] *Ministry of Agriculture, Forestry & Fisheries of South Korea*

TOP TEN FISH AND SEAFOOD SUPPLIERS TO SOUTH KOREA IN 2013

The figures listed below are in Canadian dollars.

1. Imports from China		**2. Imports from Russia**	
Frozen fish	258M	Frozen Alaska pollock	209M
Live fish	129M	Frozen fish livers and roes	81M
Frozen/dried octopus	119M	Cooked crabs, raw	67M
Frozen shrimps and prawns	54M	Frozen Alaska pollock fillets	46M
Live/fresh octopus	53M	Dried fish	42M
3. Imports from Vietnam		**4. Imports from U.S.A**	
Frozen shrimps and prawns	126M	Frozen Alaska pollock	45M
Frozen fish meat	93M	Frozen fish	28M
Frozen/dried octopus	82M	Frozen flat fish	22M
Prepared shrimp and prawns	56M	Live eels	20M
Prepared fish whole	42M	Fresh lobster	16M
5. Imports from Norway		**6. Imports from Chile**	
Fresh Atlantic and Danube salmon	46M	Frozen Atlantic and Danube salmon	41M
Frozen mackerel	29M	Flour meal and pellet of crustaceans	30M
Frozen Atlantic and Danube salmon	20M	Frozen cuttlefish and squid	26M
Fresh salmon fillet	12M	Frozen rays and skates	8M
Cooked crab, raw (Live etc.)	8M	Frozen Pacific salmon	3M
7. Imports from Thailand		**8. Imports from Taiwan**	
Frozen shrimp and prawns	30M	Frozen fish	63M
Prepared shrimps and prawns	20M	Frozen tilapia fillets	14M
Frozen/dried octopus	12M	Frozen bigeye tunas	11M
Prepared salmon	9M	Frozen swordfish	9M
Frozen fish meat	7M	Frozen tuna, skipjack/bonito	6M
9. Imports from Japan		**10. Imports from Canada**	
Live fish	23M	Fresh lobster	32M
Fresh scallops	19M	Live eels	13M
Frozen fish	11M	Frozen fish	9M
Fresh Alaska pollock	10M	Frozen lobster	4M
Fresh fish	6M	Frozen crab	4M

Source: *Global Trade Atlas, 2014.*

MARKET SIZES

The origin of fish and seafood products is greatly emphasized by fish and seafood importers, distributors and manufacturers, due to the continued news coverage of the Fukushima nuclear disaster and the impact nuclear water runoff is having on ocean wildlife off the coast of Japan, and the fishing grounds around South Korea. Fishmongers and hypermarkets prominently display the origin of fish and seafood that are imported from countries not affected by the nuclear disaster, such as Norway or Russia[2].

Historic, Forecast Fish and Seafood Retail Value Sales in South Korea in US$ Billion Current Prices- Fixed 2013 Exchange Rates

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Value (US$ billion)	3.800	3.502	3.312	3.696	4.125	4.184	4.443	4.856	5.084	5.147	5.248
Spend per capita (US$)	78.2	71.55	67.34	74.8	82.87	83.68	88.38	96.11	100.2	100.9	102.5
Unit prices (US$/kg)	11.28	10.11	9.457	12.75	13.13	13.47	15.57	17.96	19.71	20.85	21.97
Value growth (%)	-	-7.8	-5.4	11.6	11.6	1.4	6.2	9.3	4.7	1.2	2.0

Source: *Economist Intelligence Unit - http://www.eiu.com/, Mintel 2014*

Packaged

Fresh/chilled processed fish and seafood food in South Korea is expected to show a volume growth of compound annual growth rate (CAGR) of 2.2% from 2014 to 2018. The growth is related to a demographic change, where single and two-person households are increasing, causing higher demand for products that taste better and offer functional quality, fulfilling the nutritional needs of protein with a lower calorie count. Additionally, the increasing number of women in the labour force, as well as the busier lifestyles of double-income households, will lead to relatively strong growth for fresh and high quality processed products.

Historic Packaged Fish and Seafood Retail Volume Sales in South Korea by Segment in '000 Tonnes

Category	2008	2009	2010	2011	2012	2013	CAGR* 2008/13
Canned/preserved fish/seafood	70.50	71.52	72.90	73.70	75.10	76.40	1.6%
Chilled fish/seafood	53.97	54.41	54.95	57.42	59.43	61.28	2.6%
Frozen processed fish/seafood	14.09	13.74	13.33	12.66	12.06	11.53	-3.9%

Source: *Euromonitor, 2014.* ****CAGR*** *= compound annual growth rate.*

Euromonitor notes that canned/preserved fish/seafood continued to dominate the market, accounting for 51% of the packaged fish and seafood category in 2013. The report also notes that consumers tend to prefer fresh fruit and vegetable rather than canned foods, though they are more willing to replace fresh fish/seafood and meat with canned products.

[2] *Ministry of Agriculture, Forestry & Fisheries of South Korea*

Forecast Packaged Fish and Seafood Retail Volume Sales in South Korea by Segment in '000 Tonnes

Category	2014F	2015F	2016F	2017F	2018F	CAGR*2014/18
Canned/preserved fish/seafood	77.53	78.54	79.48	80.35	81.24	1.2%
Chilled fish/seafood	62.93	64.44	65.86	67.31	68.72	2.2%
Frozen processed fish/seafood	11.06	10.63	10.32	10.09	9.92	-2.7%

Source: *Euromonitor, 2014.* ****CAGR*** *= compound annual growth rate. F=Forecast*

Quality is one of main concerns over frozen fish and seafood products, as a result, manufacturers have begun to introduce premium higher quality products to cater to this demand. For instance, the Mintel global new product database shows that in 2013, manufacturers are focusing on dishes of fish and seafood that can be easily cooked, without adding colour-fixing agents, artificial preservatives, or artificial flavours, in order to target high income consumers and to slow the decline in frozen fish and seafood consumption.

DISTRIBUTION CHANNELS

South Koreans like to purchase their fish and seafood at traditional markets, which are mostly located near the production grounds such as landing ports or fish farms. The location of the markets is associated to freshness and value-for-money. According to the Korea Maritime Institute's 2012 survey of consumption of fishery products, 41% of consumers usually purchase seafood at traditional markets. However, this is changing. In the same survey, 39.1% indicated that purchase their fish and seafood at discount stores or supermarkets. Supermarkets and discount chains are popular in urban areas and have many more stores than traditional markets.

The South Korean modern grocery sector has an extremely high standard with a strong focus on customer service and well displayed counters. This focus on customer service and high quality products can be of comfort for shoppers as they can find labels on fish and seafood such as 'fishing ground' or the sea where the fish has been caught, 'production date' which indicates the freshness, and 'certification' coupled to the reliability and healthiness of the product.

South Korea: Top Grocery retailers in 2013

Company	Number Of Outlets	Total Grocery Market Share %
Lotte Shopping	7,733	7.33
Shinsegae	894	6.47
Tesco	735	4.78
GS Retail	8,370	2.95
BGF Retail	8,172	1.78

Source: *Planet Retail, 2014.*

CONSUMPTION TRENDS

South Korean consumers enjoy a high disposable income, and are seeking products that offer convenience, a consequence of their busy lifestyles. Packaged food sales continue to grow steadily, validating the lifestyle trends, and are expected to reach a value of US$25.7 billion by 2014. A trend worth

noting is, as the number of double-income families is increasing, the demand for pre-cooked, ready-made and preserved food is increasing, and the supermarket chains are leading this trend.
South Koreans are focused on their wellbeing and how foods contribute to it. Consumers choose foods according to their functional attributes. Subsequently, organic foods are in high demand, making food safety and quality a critical importance to South Korean consumers, and pushing the government to introduce stronger regulations in response to food safety concerns.

Overall the food and beverage sectors in Korea are vibrant thanks to affluent consumer groups such as young professionals and the 55+ demographic, for whom the quality and country of origin are important factors in their purchasing decisions, a consequence of the strong link between food quality and wellbeing.

In the foodservice sector, South Koreans are big consumers of Japanese-style fish and seafood, such as sushi and sashimi. There are thousands of sushi restaurant chains varying in size and budget, Euromonitor notes that the number of restaurants keeps growing. In addition, supermarket and hyper markets also sell individually packaged sushi and prepared or semi-prepared fish and seafood in their chilled products aisles, to attract consumers seeking convenience.

NEW PRODUCT LAUNCHES

A scan of the Mintel Global New Products Database (GNPD) of new launches between September 2013 and September 2014 reveal that 148 new processed fish products enterred the South Korean market.

“No additives/preservatives” and “convenient package” led the claims category by being used 33 and 29 times respectively. The company CJ had the most product introductions with 10, and flexible and flexible sachet were the most widely use packaging types with 37 introductions each.

New Processed Fish Products Launches in South Korea, September 2013 - September 2014, by Subcategories

Top 5 Claims	**New Product Count**
No additives/preservatives	33
Convenient packaging	29
Ease of use	20
Premium	19
Low/no/reduced allergen	10
Company	
CJ	10
Dongwon F&B	9
Home Plus	9
Hansung Foods	7
Lotte Shopping	7
Orga Whole Foods	6
CJ CheilJedang	5
Sajo Seafood	5
Sajodaerim	5
Sajohaepyo	5
Package Type	
Flexible	37
Flexible sachet	37
Skinpack	34
Can	19
Tray	9

Source: *Mintel GNPD, 2014.*

New Processed Fish Products Launches in South Korea, September 2013 - September 2014, by Subcategories (continued)

Manufacturer Type	
Branded	118
Private Label	30

Source: *Mintel GNPD, 2014.*

New Product Examples

Original Roasted Dried Pollack

Haengbokdameun roasted dried pollack features a light flavour and a chewy texture, and is suitable as a nutritious snack for kids, an accompaniment to beer or a side dish with cooked rice. This boneless product retails in a 150g pack.

Company: Hae Cheong Food
Brand: Haengbokdameun
Price in US Dollars: $6.58
Packaging Details : Flexible sachet

Handmade Boneless Tuna Cutlet

Sajo handmade boneless tuna cutlet is described as a fresh fish cutlet. The product is free from additives and high nutritional value. It retails in a 480g.

Company: Sajo Seafood
Brand: Sajo
Price in US Dollars: $8.03
Packaging Details : Flexible stand-up pouch

Premium Dried Squid

Keumhan Daheeum claims that premium dried squid has been caught and processed in a clean environment. The product retails in a 210g pack containing three units.

Company: Keumhan
Brand: Keumhan Daheeum
Price in US Dollars: $11.25
Packaging Details : Flexible pouch

Fish Cakes

Dongwon fish cakes retails in a 240g pack, which contains three 80g units.

Company: Dongwon F&B
Brand: Dongwon
Price in US Dollars: $3.60
Packaging Details : Skinpack and Flexible stand-up pouch

Source: *Mintel Global New Product Database*

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in South Korea**
- http://www.tradecommissioner.gc.ca/eng/office.jsp?oid=242

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http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/korea-coree/index.aspx?lang=eng

South Korea - Processed Fish: Company Website Links

Company	Company Website
Andong Salted Mackerel Co., Ltd.	http://www.godunga.co.kr
CJ Group	http://www.cj.net
DongkwangFood Co., Ltd	http://www.dkfood.co.kr
Dongwon Group	http://www.dw.co.kr
Hansung Enterprise Co., Ltd.	http://www.www.han-sung.co.kr
National Federation of Fisheries Cooperatives	http://www.suhyup.co.kr
Ottogi Co., Ltd.	http://www.ottogi.com
Pulmuone Co., Ltd.	http://www.pulmuone.co.kr
Sajo Group	http://www.sajo.co.kr
Yeong-Gwang Gulbi Fisheries Union Corporation	http://www.bongulbi.com

Source: *Mintel*

For additional intelligence on this and other markets, the complete library of Global Analysis reports can be found under *Statistics and Market Information* at the following link, arranged by sector and region of interest:

- ats-sea.agr.gc.ca

For details on the China Fish and Seafood Expo please contact:

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RESOURCES

- Economist Intelligence Unit: *http://country.eiu.com/South%20Korea*
- *Euromonitor International, 2014. South Korea Consumers Expenditure*
- Euromonitor International 2014. South Korean Consumers in 2020
- Euromonitor International, South Korea Consumer Trends and Lifestyles, November 2013.
- Euromonitor International, 2014. South Korea Country and Consumers Overview
- *Euromonitor International, 2014. South Korea Packaged Food*
- Euromonitor International, 2014. *South Korea: Risk and Vulnerability*
- Food and Agriculture Organization of United Nations*: http://www.fao.org/fishery/statistics/en*
- Global Trade Atlas, 2014
- Ministry of Agriculture, Forestry & Fisheries of South Korea, *http://english.mafra.go.kr/main.jsp*
- Mintel Global New Products Database, 2014. New fish product in Korean market
- South Korea Marine Institute: *http://www.pemsea.org/organization/kmi*
- Statistics Korea: *http://kostat.go.kr/portal/english/index.action*

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