Opportunities in the South Korean cheese market

Kansendossier Zuid-Korea

>> Als het gaat om internationaal ondernemen en samenwerken
Inhoud

1 Opportunities in the South Korean cheese market—3
   1.1 Fast growing market—3
   1.2 Premiumization—4
   1.3 High potentials in trade—6

2 Potential partners—8
   2.1 Relevant contacts and trade fairs—8
      2.1.1 Korea Dairy Association: http://en.koreadia.or.kr/—8
      2.1.2 Seoul Food Show: http://www.seoulfood.or.kr, 13~16 May 2014 at Kintex.—8
   2.2 Reference—9
   2.3 More information—9
Opportunities in the South Korean cheese market

1.1 Fast growing market

Cheese doesn’t exist in Korean traditional cuisine. In the beginning when cheese was introduced into South Korea, Korean people didn’t know how to eat cheese and couldn’t enjoy its real taste. With the growing interest of South Korean consumers in Western foods such as pizza, hamburger and sandwiches, the consumption of cheese has increased accordingly, which played an important role in making South Korean consumers be used to cheese. The market grew 15-fold in volume over the last 20 years. Imported cheese is increasingly covering the demand as the local production is making slow progress. The total market in 2012 was 101 thousand ton in volume and it would be a market size of around 700~800 billion won (490~560 million Euros) in value.

Local production and import (unit: 1,000 ton)

The market looked saturated without growth in volume between 2006 and 2009. However, the market turned back to positive growth with increasing consumption in 2010. Local consumers are becoming experienced with other cheese from overseas travel and are starting to enjoy foreign foods and drinks that go well with other cheeses.

According to data released by the Korea Customs Service, the value of Korea’s imported cheese from January until July in 2013 amounted to EUR175 million, up 16% from EUR151 million a year ago. The growth continues in 2013.
1.2 Premiumization

Natural cheese is driving the market with 41% growth in volume over the last 5 years while processed cheese is not recovering the volume which dropped in 2008. This is due to the trend of premiumization. Local manufacturers are increasing the unit prices by developing premium natural cheeses such as organic cheese and nutrition-fortified cheeses for children. The figure below showed that the increasing consumption of natural cheese in 2008 and 2009 led to the hike of cheese prices.

Consumption and prices by type by year (unit: won¹ and ton)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sliced Cheese (won/200g)</th>
<th>Natural Cheese (ton)</th>
<th>Process Cheese (ton)</th>
<th>Total Cheese (ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1,139</td>
<td>23</td>
<td>23</td>
<td>46</td>
</tr>
<tr>
<td>2001</td>
<td>1,141</td>
<td>29</td>
<td>25</td>
<td>55</td>
</tr>
<tr>
<td>2002</td>
<td>1,153</td>
<td>30</td>
<td>23</td>
<td>53</td>
</tr>
<tr>
<td>2003</td>
<td>1,166</td>
<td>33</td>
<td>25</td>
<td>58</td>
</tr>
<tr>
<td>2004</td>
<td>1,250</td>
<td>41</td>
<td>27</td>
<td>66</td>
</tr>
<tr>
<td>2005</td>
<td>1,379</td>
<td>43</td>
<td>29</td>
<td>68</td>
</tr>
<tr>
<td>2006</td>
<td>1,385</td>
<td>44</td>
<td>30</td>
<td>72</td>
</tr>
<tr>
<td>2007</td>
<td>1,786</td>
<td>53</td>
<td>19</td>
<td>72</td>
</tr>
<tr>
<td>2008</td>
<td>3,434</td>
<td>52</td>
<td>20</td>
<td>88</td>
</tr>
<tr>
<td>2009</td>
<td>3,321</td>
<td>64</td>
<td>24</td>
<td>101</td>
</tr>
<tr>
<td>2010</td>
<td>3,239</td>
<td>74</td>
<td>27</td>
<td>100</td>
</tr>
<tr>
<td>2011</td>
<td>3,260</td>
<td>76</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>3,260</td>
<td>76</td>
<td>24</td>
<td></td>
</tr>
</tbody>
</table>

The premium market is led by local manufacturers who import bulk natural cheese and produce their own cheese brands. Local manufacturers have concentrated on premium sliced cheese targeting children as a healthy snack and high quality shred cheese for food services such as western restaurants and pizza outlets.

Some premium cheeses are being imported directly from foreign countries for the retail market. The volume is smaller than the local production but growing fast. As the premiumization trend continues, more different shapes of premium cheeses such as wheel-shaped cheese and block cheese will be imported into South Korea. The target is expanding from children to adults thanks to the growing wine market and the use is expanding from pizza to different kinds of western food.

¹ 1 Euro = 1,440 won (as of 11 September 2013)
Popular Gouda

Mozzarella is still the most popular cheese type in South Korea with a 60% value share in 2012, followed by Cheddar with a 23% value share. Mozzarella is considered easy to try, even for beginners who do not much enjoy cheese due to not liking a strong taste. Cheddar slice cheese is also regarded easy for beginners when it comes together with bread.

Gouda cheese is securing the 3rd position of the market and getting more and more popular. Mozzarella and Cheddar were popular for its easier taste, but Korean consumers are recently looking for something different: richer ripen flavour but not too difficult to try. That is Gouda! The import of Gouda grew 300% in volume in 5 years between 2008 and 2012 while other cheeses grew only 100%. In line with this trend, local cheese manufacturers are also paying attention to Gouda as an emerging cheese in the market and are developing cheese products with Gouda.

Natural cheese import by type (Unit: ton)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mozzarella</th>
<th>Cheddar</th>
<th>Gouda</th>
<th>Camembert</th>
<th>Emmental</th>
<th>Blue-vein</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>19,299</td>
<td>7,821</td>
<td>816</td>
<td>83</td>
<td>65</td>
<td>0.979</td>
</tr>
<tr>
<td>2009</td>
<td>21,501</td>
<td>7,556</td>
<td>1,597</td>
<td>61</td>
<td>38</td>
<td>0.546</td>
</tr>
<tr>
<td>2010</td>
<td>26,668</td>
<td>10,878</td>
<td>1,694</td>
<td>67</td>
<td>60</td>
<td>0.408</td>
</tr>
<tr>
<td>2011</td>
<td>38,452</td>
<td>13,393</td>
<td>3,548</td>
<td>91</td>
<td>82</td>
<td>21</td>
</tr>
<tr>
<td>2012</td>
<td>38,272</td>
<td>16,075</td>
<td>3,266</td>
<td>152</td>
<td>143</td>
<td>65</td>
</tr>
</tbody>
</table>

Gouda cheese here means Gouda cheese type imported not only from the Netherlands but also from other countries such as Chile and New Zealand

Mozzarella 98%, cheddar 106%, Camembert 83%, Emmental 119%
1.3 High potentials in trade

The US which exports Mozzarella, cream and processed cheeses to South Korea is the largest cheese exporter to the Korean market, followed by New Zealand and Australia. The Netherlands was the 6th largest exporter to the Korean market, accounting for 2.6% of the total import in volume in 2012. Since Dutch cheese is getting popular, the share of the Netherlands is predicted to increase.

Cheese import share in 2012 by exporting country by type

<table>
<thead>
<tr>
<th>Kind of cheese</th>
<th>Import(ton)</th>
<th>Import share by exporting country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural cheese</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mozzarella</td>
<td>38,272</td>
<td>US 41%, New Zealand 36%</td>
</tr>
<tr>
<td>Cream</td>
<td>6,576</td>
<td>US 53%, Australia 36%</td>
</tr>
<tr>
<td>Cheddar</td>
<td>16,075</td>
<td>New Zealand 54%, US, Australia</td>
</tr>
<tr>
<td>Gouda</td>
<td>3,265</td>
<td>Netherlands 51%, Chile, New Zealand</td>
</tr>
<tr>
<td>Camembert</td>
<td>152</td>
<td>France 48%, US, Germany</td>
</tr>
<tr>
<td>Emmental</td>
<td>143</td>
<td>France 76%</td>
</tr>
<tr>
<td>Blue-vein</td>
<td>65</td>
<td>Italy 43%, France</td>
</tr>
<tr>
<td>Processed cheese</td>
<td></td>
<td>US 50%, France, Australia, New Zealand, Netherlands</td>
</tr>
<tr>
<td>Cheese powder</td>
<td>1,252</td>
<td>US 59%, Denmark 28%</td>
</tr>
</tbody>
</table>

The Free Trade Agreement (FTA) between the EU and South Korea came into effect on 1 July 2011. South Korea is the first and only Asian country which signed a FTA with the EU. Korean consumers will have more chances to try different kinds of cheeses from European countries at lower prices as the customs duty goes down by 2.25% annually from 2011 as specified under the terms of agreement. In parallel with the decreasing customs duty, the EU and South Korea also made an agreement on setting TRQ\(^5\) for the import of European cheese into Korea without customs duty.

The TRQ will increase until the customs duty becomes zero in 2026. The Korean Dairy Association administers these TRQ's and allocates the in-quota quantity to historical and new importers through a licensing system. If Dutch exporters would like to export cheese into South Korea through this TRQ scheme, the most important consideration is to find a good local partner who can occupy the TRQ quantity.

---

4 2,031 ton in Volume and 7,455 euros in Value
5 TRQ: Tariff Rate Quotas under FTA
**Customs duty and TRQ schedule under the EU Korea FTA**

<table>
<thead>
<tr>
<th>Date</th>
<th>Before July 1, 2011</th>
<th>1 Jul 2012</th>
<th>1 Jul 2013</th>
<th>1 Jul 2014</th>
<th>1 Jul 2015</th>
<th>1 Jul 2016</th>
<th>1 Jul 2017</th>
<th>1 Jul 2018</th>
<th>1 Jul 2019</th>
<th>1 Jul 2020</th>
<th>1 Jul 2021</th>
<th>1 Jul 2022</th>
<th>1 Jul 2023</th>
<th>July 1 2024</th>
<th>July 1 2025</th>
<th>July 1 2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs duty(%)</td>
<td>36 33.75 31.5 29.25 27 24.75 22.5 20.25</td>
<td>4,560 4,560 4,696 4,837 4,982 5,132 5,286</td>
<td>8 10 11 12 13 14 15 16</td>
<td>15.75 13.5 11.25 9 6.75 4.5 2.25 0</td>
<td>5,444 5,608 5,776 5,949 6,128 6,312 6,501 6,696</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2 Potential partners

In 2012, Seoul Dairy Cooperative was the largest cheese producer in South Korea accounting for 41% of the market in value, followed by Maeil Dairies Co., Ltd (22%), Namyang Dairy products Co., Ltd (19%) and Dongwon Dairy Food Co., Ltd (7%). Since these four companies have their own manufacturing facilities for cheese, they focus more on importing bulk cheese for ingredients rather than importing complete cheese products for retail. The demand for imported bulk natural cheese continues to go up as the local natural cheese production is decreasing. Dutch bulk cheese exporters are recommended to pay attention to the four companies first to do business in South Korea.

Another possibility to start a cheese business in South Korea is to work with large dairy companies who have good existing distribution networks for dairy products but don’t produce cheese by themselves. Yakult Korea (3rd largest dairy company), Binggrae Co., Ltd (5th largest) and Purmil co., Ltd (6th largest) are producing milk and yoghurt products largely but don’t have any cheese production line. Therefore, if the three dairy companies are interested in cheese business, there will be an opportunity to collaborate between Dutch cheese producers and local dairy companies for the Korean cheese market.

There are three ways to penetrate into the Korean retail market with imported complete cheese products. One is making a local branch office. There is one foreign company active with a branch office in Korea: Kraft Foods. Kraft foods accounted for 3.3% of the market in 2012. Another way is working with local retailers such as E-mart (the largest hypermarket), Lotte (the largest department store), Homeplus (the 2nd largest hypermarket) and Costco (the only foreign hypermarket). Homeplus has its own Private Label (Brand) cheese products, accounting for 0.7% of the market in value. E-mart is also recently planning to work on cheese import. The third way is importing cheese into Korea through small & medium traders. The volume is relatively small compared to the market size but the traders can deal with a variety of European premium cheeses. The traders sell cheese directly to consumers or play a role as a middleman supplying imported cheese to retailers.

2.1 Relevant contacts and trade fairs

2.1.1 Korea Dairy Association: http://en.koreadia.or.kr/
Except for Seoul Dairy Cooperative, most of dairy companies in South Korea are the members of the association. On the English website, there is detailed contact information (including contact names) of dairy companies. The information will be useful for Dutch exporters who seek the right contact person in the purchasing department of South Korean dairy companies.

2.1.2 Seoul Food Show: http://www.seoulfood.or.kr, 13~16 May 2014 at Kintex.
It is the largest food exhibition in South Korea. It gives exhibitors to have opportunities to meet potential partners. European cheese is considered to be one of the most popular goods in the exhibition. The Netherlands embassy in Seoul will
make a pavilion in Seoul Food Show in 2014 and welcomes Dutch cheese companies’ participation. For those who are interested in the exhibition, please contact SEO-LNV@minbuza.nl.

2.2 Reference

- KITA (Korea International Trade Association), http://global.kita.net/
- KDA (Korean Dairy Association), http://en.koreadia.or.kr/
- KCS (Korea Customs Service), http://www.customs.go.kr/
- Euromonitor

2.3 More information

Mr. Hojin Kang
Agricultural policy officer,
Embassy of the Kingdom of the Netherlands, Seoul
Tel: +82-2-311-8670, 311-8625 (dir.)
Fax: +82-2-311-8671
Mobile: +82-10-6365-2355
E-mail: agrinet@live.com, seo-lnv@minbuza.nl
Website: http://southkorea.nlembassy.org

Nederland

Simon J. de Muinck
Adviseur Internationaal Ondernemen
Regio Azië (Japan, Taiwan, Zuid-Korea))
Divisie Informatie & Advies

NL EVD Internationaal / Agentschap NL
Prinses Beatrixlaan 2 | 2595 AL Den Haag
Postbus 93144 | 2509 AC | Den Haag

+31 (0)88 602 1129 (direct)
of bgg +31 (0)88 602 8060 (frontoffice)
simon.demuinck@agentschapnl.nl
www.agentschapnl.nl
Colofon
Dit is een publicatie van:
Agentschap NL / NL EVD Internationaal / Unit Informatie & Advies
Prinses Beatrixlaan 2 / 2595 AL den Haag
Postbus 93144 / 2509 AC Den Haag
T +31 (0)88 602 90 00
E intake@info.agentschapnl.nl
www.agentschapnl.nl

© Agentschap NL | September 2013

Agentschap NL is een agentschap van het ministerie van Economische Zaken. Agentschap NL voert beleid uit voor diverse ministeries als het gaat om duurzaamheid, innovatie en internationaal. Agentschap NL is hét aanspreekpunt voor bedrijven, kennisinstellingen en overheden. Voor informatie en advies, financiering, netwerken en wet- en regelgeving.

Agentschap NL streeft naar correcte en actuele informatie in dit dossier, maar kan niet garanderen dat de informatie juist is op het moment waarop zij wordt ontvangen, of dat de informatie na verloop van tijd nog steeds juist is. Daarom kunt u aan de informatie op deze pagina's geen rechten onthouden. Agentschap NL aanvaardt geen aansprakelijkheid voor schade als gevolg van onjuistheden en/of gedateerde informatie. Binnen onze website zijn ook zoveel mogelijk relevante externe links opgenomen. Agentschap NL is niet verantwoordelijk voor de inhoud van de sites waar naar wordt verwezen.