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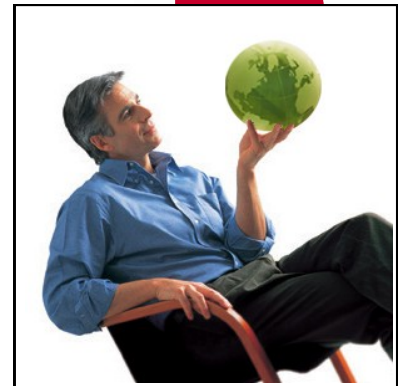
Agriculture et  
Agroalimentaire Canada

**International  
Markets  
Bureau**

**MARKET INDICATOR REPORT | JUNE 2010**



## **Packaged Food Sales** In South Korea



## Packaged Food Sales South Korea



### ▶ EXECUTIVE SUMMARY

In 2009, the South Korean packaged food market totaled US \$20.8 billion and was the third largest Asian market, following Japan and China. Packaged food sales grew by 2.5% from 2008 to 2009, despite difficult economic times.

Packaged food found its success as a convenience product, as well as with new product introductions. Consumers have become increasingly aware of product quality and safety, forcing manufacturers to produce with the highest integrity and with the consumer's health and wellbeing in mind.

As in other food markets in South Korea, the packaged food market is dominated by domestic manufacturers. Some of the largest include: Lotte Confectionery Co. Ltd., Nong Shim Co Ltd., and Seoul Dairy Cooperative.

Sales of packaged food are forecast to increase by 15% between 2009 and 2014. Some of the greatest growth is expected to come from oils and fats, pasta, and ready-meals. Confectionery growth is expected to be small over the period, and baby food may experience negative growth due to a declining birth rate.

### ▶ CONSUMER TRENDS

In 2009, consumers in South Korea increased spending on packaged food, attracted by convenience and creative product innovations.

The number of working wives and mothers in South Korea has increased and so has the amount of time spent working, which has increased the demand for convenient products. Packaged food is generally quick and easy to prepare, providing fast meal solutions. In particular, ready-meals and snack bars grew by 6% in 2008, greater than the average 2% growth for packaged food as a whole.

Product diversification was also a significant factor in packaged food sales growth. New flavour and product introductions helped to maintain and attract consumer interest. For example, CJ Corp introduced nine new flavours, including vegetable chicken curry and India chicken curry.

The health and wellness trend in South Korea has boosted sales of premium products or products viewed as good for your health. Salad dressings, chilled ready-meals, and chilled noodles were popular choices in 2008. Dr. You snack bars, healthy breakfast cereals and noodles with functional ingredients were also popular, while stock cubes and monosodium glutamate (MSG) showed negative growth over the period. It is anticipated that products with fewer calories, special functions, and fewer artificial ingredients will be launched into the packaged food market to capitalize on the health and wellness trend.

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*South Korean consumers are interested in products with the latest innovations, as well as those offering convenience.*

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## ▶ CONSUMER TRENDS BY CATEGORY



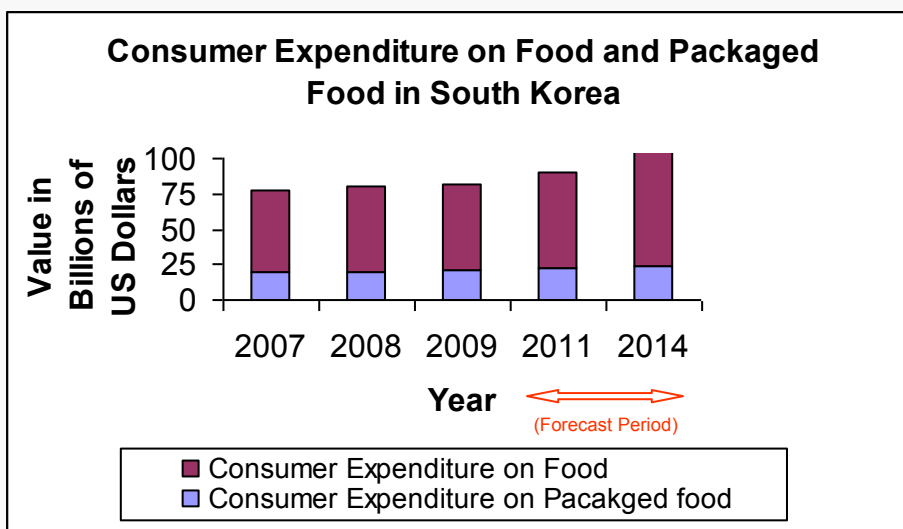
- ▶ Impulse and indulgence products, including confectionery, ice-cream, baked goods, sweet and savoury snacks and snack bars experienced growth of 3.1% from 2008 to 2009. Consumers pushed for premium products that were low in fat, low in calories and made with natural ingredients. It is forecast that snack bars will see the greatest growth between 2009 and 2013, as consumers look for convenient products to eat on-the-go.
- ▶ Products classified as food staples, like rice, noodles, bread, dairy products, pasta and baby-food, accounted for more than US \$11.0B of packaged food sales. The demand for more Western products by South Koreans helped boost the growth of cheese, pasta and bread. Soy-milk and low-fat milk were the most popular milk products demanded by consumers. Breakfast cereal sales also grew from 2008 to 2009, as consumers chose to start their day with healthy choices.
- ▶ Meal solutions, like ready-meals, canned, frozen, chilled food, sauces, and soups reported 2% value growth from 2008 to 2009. More ethnic ready-meals were introduced as consumers were interested in foreign tastes and flavours. In keeping with the health and wellness trend, canned/preserved food, frozen processed food, and soups, other than chilled soups, sales are expected to decline, as consumers choose products that are perceived as natural and healthy. Organic chilled salad dressing, chilled, western-style soup, and low-fat mayonnaise were products that were successful with consumers during 2008.

## ▶ ECONOMIC TRENDS

South Korea was affected by the economic downturn, however, packaged food sales grew despite the unstable economic atmosphere. As a major importer of agricultural products, South Korea was affected by the rising costs of agricultural products and increases in oil prices which, in turn, increased the price of packaged food products. It is expected that agricultural costs will continue to increase and so will the price of raw materials, causing packaged food prices to continue to rise.

Over 10% of the South Korean population is made up of single-person households and more married women are working, as are their husbands, so the need for convenience has grown to accommodate these busier lifestyles. Furthermore, the singles group has been determined to be the key consumer of packaged foods, due in part to their strong purchasing power.

As South Koreans become increasingly dependent on packaged foods, the demand for these foods is expected to remain steady. However, growth will continue to be limited due to inflation and the rising food prices. The premium segment is forecast to grow, as is the demand for organic packaged foods.



Source: *Euromonitor*



▶ **PACKAGED FOODS SALES IN SOUTH KOREA**

<b>Market Sizes of Packaged Food in South Korea - Historic/ Forecast - US\$ Millions</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2011</b>	<b>2014</b>
Chocolate confectionery	387.5	386.2	385.9	393.3	410.7
Sugar confectionery	314	313.3	313.2	314.4	319.5
Gum	331.5	330.7	331.4	333.6	338
Baked goods	1393.4	1450.5	1507.8	1619.6	1782.3
Biscuits	793.7	823.4	848.8	894.4	952
Breakfast cereals	154.8	156.4	158.1	161.4	166.2
Impulse ice-cream	1170.8	1243.7	1309.5	1431.4	1603.8
Take-home ice-cream	202.5	213.3	222.7	247.9	287.5
Frozen yogurt	72.4	74.9	77.2	84.5	99.5
Artisanal ice-cream	212.9	219.3	223.7	233.2	251.1
Drinking milk products	2712.7	2829.9	2940.7	3206.2	3586.8
Cheese	200.8	208.9	216.1	233.8	267.8
Yogurt and sour milk drinks	1424.4	1435.8	1445.1	1529.8	1675.5
Other dairy products	100	99.4	98.3	96.2	91.7
Sweet and savoury snacks	650.9	669	685.1	717.6	763.7
Meal replacement products	52	54.6	57.3	62.5	71.9
Ready-meals	236.9	252.8	268	298.7	343.6
Soup	76	77.8	77	77.4	82.2
Pasta	7.8	8.2	8.6	9.5	11.2
Noodles	1912.3	2039.3	2160.8	2403.5	2761.7
Canned/preserved meat and meat products	144.2	148.6	147.1	148.2	151.5
Canned/preserved fish/seafood	419.2	448.6	472.8	511.1	560.8
Canned/preserved vegetables	62	62.8	64.1	66.2	68
Canned/preserved fruit	104	101.4	96.4	90.7	83.9
Canned/preserved ready-meals	198.4	212.3	225	250.6	286.6
Frozen processed food	465.6	478.7	491.6	520.6	562.5
Rice	2606.8	2528.6	2460.3	2345.3	2235.5
Dehydrated soup	30.9	30	29.1	27.8	26.5
Instant soup	7.3	11	12.1	14.9	20.5
Plain noodles	282.1	291.4	301.6	326	359.2
Instant noodles	1466.3	1578.2	1682.9	1884	2177.6
Chilled processed meats	687.8	722.1	743.8	794.5	884.1
Chilled fish/seafood products	444.1	453	462.9	491.6	549.1
Chilled ready-meals	13.3	14.1	15	17.3	21.6
Chilled noodles	139.2	144.8	151.3	167.6	197.4
Oils and fats	598.8	634.9	665.6	739.3	877.4
Bouillon/stock cubes	98.4	95.4	94	92.2	90.5
Herbs and spices	256.3	266.5	275.9	293.8	317.3
Table sauces	160.8	163.4	169.7	182.8	201.2
Soy-based sauces	147.4	162.2	175.1	192.9	217.6
Pasta sauces	8.7	9.1	9.5	10.4	11.6
Wet/cooking sauces	107.9	117.6	127	145.2	172.3
Ketchup	57	59.7	62.4	67.4	74.1
Mayonnaise	62.2	61.5	59.8	56.9	53.7
Salad dressings	22.8	23.2	23.9	26.6	32.2
Pickled products	246.2	249.9	252.9	261	277.1
Baby food	474.4	472	464.5	457.1	444.7
Spreads	144.6	146.4	148.6	153.8	163.2

Source: Euromonitor

←→  
(Forecast Period)

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PACKAGED  
FOOD RETAIL  
SALES ARE  
EXPECTED  
TO REACH  
US \$23.9  
BILLION BY  
THE YEAR  
2014.”



## ▶ KEY MARKET SEGMENTS — DATA FROM 2008 TO 2009

### ▶ Dairy

Sales grew from US \$4.6 billion to US \$4.7 billion, from 2008 to 2009.

#### Forecasts for 2009-2014

Dairy products are forecasted to grow by 20% in value. Cheese is expected to grow the most, with an increase of 24%. Milk product sales are expected to increase by 22%. Yogurt sales are expected to increase by 16%.

#### Main Sectors 2008-2009:

Milk drink product sales increased from US \$2.8 billion to US \$2.9 billion.

Yogurt and sour milk drink sales remained steady at US \$1.4 billion.

Cheese sales grew from US \$209 million to US \$216 million.

#### Main Producers and their South Korean Brands

Seoul Dairy Cooperative was the leader in milk drink products, holding 35.3% of the market share in 2008. Its leading brand is Seoul.

Yakulk Korea Co. Ltd. held a 40.4% share of the yogurt market in 2008. Its leading brand is Will.

Seoul Dairy Cooperative was also the leader in the cheese market, with a 51.3% market share in 2008. Its leading brand is Seoul.

### ▶ Dried Processed Food

This sector's sales increased from US \$4.4 billion to US \$4.5 billion, from 2008 to 2009.

#### Forecasts for 2009-2014

Dried processed food sales are forecast to increase by 8% in value. Instant soup is expected to increase by 69%. Instant noodles and dried pasta sales are each expected to grow by around 30%. However, rice sales are expected to decrease by 9% over the period.

#### Main Sectors 2008-2009:

Rice sales remained constant at US \$4.5 billion from 2008 to 2009.

Instant noodle sales increased from US \$1.6 billion to US \$1.7 billion.

Plain noodle sales increased from US \$291 million to US \$302 million.

#### Main Producers and their South Korean Brands

Nong Shim Co. Ltd. was the leader in the dried processed food market, with a 23.9% market share in 2008. Its leading brand is Shin Ramyun.

Gyeonggi Nonghyup was second in the dried processed foods market, with an 11.5% share in 2008. Its leading brand is Gyeonggi Nonghyup.

Ottogi Foods Co. Ltd. was third in the dried processed foods market, holding a 5.5% share in 2008. Its leading brand is Jin Ramyun.

### ▶ Bakery Products

This sector's sales grew from US \$2.4 billion to US \$2.5 billion, from 2008 to 2009.

#### Forecasts for 2008-2013

Bakery products are expected to increase by 15% in value. Baked goods are expected to show the highest growth rate at 15%. Biscuit sales are expected to increase by 12% and breakfast cereals are forecast to grow by 5%.

#### Main Sectors 2008-2009:

Baked good sales remained stable at US \$1.5 billion between 2008 and 2009.

Biscuit sales grew from US \$823 million to US \$849 million.

Breakfast cereal sales increased from US \$156 million to US \$158 million.

#### Main Producers and their South Korean Brands

Shany Co. Ltd. was the leader in the baked goods market, holding a 16.9% share in 2008. Its leading brand is Shany.

Lotte Confectionery Co. Ltd. was first in the biscuit market, with a 39.8% share in 2008. Its leading brand is Lotte.

Dongshu Foods Co. Ltd. was the leader in the breakfast cereals division, with a 54.5% share in 2008. Its leading brand is Post.



### ► Noodles

Noodle sales value increased from US \$2.0 billion to US \$2.2 billion, from 2008 to 2009.

#### Forecasts for 2009-2014

This sector's retail value is forecast to increase by 28%. Chilled noodles are expected to grow by 31%. Instant noodle purchases are expected to grow by 29%. Plain noodle sales are expected to grow by 19%.

#### Main Sectors 2008-2009:

Instant noodle sales increased from US \$1.6 billion to US \$1.7 billion.

Plain noodle sales grew from US \$291 million to US \$302 million.

Chilled noodle sales increased from US \$145 million to US \$151 million.

#### Main Producers and their South Korean Brands

Nongshim Co. Ltd. was the leader in the noodles market with a 55.9% share in 2008. Its main brand is Shin Ramyun.

Ottogi Foods Co. Ltd. was second in the noodles market with a 10.6% share in 2008. Its main brand is Jin Ramyun.

Sam Yang Food Co. Ltd. was third in the noodles market with a 10.1% market share in 2008. Its main brand is Samyang.

### ► Ice Cream

This sector's sales stayed constant in value at US \$1.8 billion, from 2008 to 2009.

#### Forecasts for 2009-2014

Sales of ice cream are forecast to increase by 22% in value. Sales in take-home ice cream and frozen yogurt are expected to increase by 29%. Impulse ice cream sales are expected to increase by 23%.

#### Main Sectors 2008-2009:

Impulse ice cream sales increased from US \$1.2 billion to US \$1.3 billion.

Artisanal ice cream increased from US \$213 million to US \$223 million.

Take-home ice cream sales increased from US \$982 million to US \$ 1.0 billion.

#### Main Producers and their South Korean Brands

Lotte Confectionery Co. Ltd. was the leading player in ice cream and accounted for a value share of 33.2% in 2008. Its leading brand is World Cone.

Haitai Confectionery & Foods Co. Ltd. was second in the ice cream market, holding a share of 26.6% in 2008. Its leading brand is Hodumaru.

Binggrae Co. Ltd. was third in the ice cream market, holding a share of 19.5% in 2008. Its leading brand is Deoweesanyang.

### ► Chilled Processed Foods

This sector's sales grew from US \$1.3 billion to US \$1.4 billion, from 2008 to 2009.

#### Forecasts for 2008-2013

Chilled processed foods are expected to increase by 21% in value. Prepared salads are expected to show the highest growth rate at 122%. Chilled soup sales are expected to increase by 46% and chilled ready-meals are forecast to grow by 44%.

#### Main Sectors 2008-2009:

Chilled processed meat sales increased from US \$722 million to US \$744 million.

Chilled fish/seafood product sales grew from US \$453 million to US \$463 million.

Chilled noodle sales increased from US \$145 million to US \$151 million.

#### Main Producers and their South Korean Brands

CJ Cheiljedang Corp was the leader in the chilled processed foods market, holding a 19.1% share in 2008. Its leading brand is Baeksul.

Lotte Ham & Milk Co. Ltd. was second in the chilled processed foods market, with a 14.1% share in 2008. Its leading brand is Lotte.

Sajo Daerim Corp was third in the chilled processed foods market, with a 7.9% share in 2008. Its leading brand is Daerim.





► **Sauces, Dressings and Condiments**

This sector's sales value remained stable at US \$1.3 billion from 2008 to 2009.

Forecasts for 2009-2014

Sauces, dressings and condiments sales are forecast to increase in value by 15%. Wet/cooking sauce sales are forecast to increase by 36%. The sales of salad dressings and soy-based sauces are forecast to increase by 35% and 24%.

Main Sectors 2008-2009:

Sales in herbs and spices increased from US \$267 million to US \$276 million.

Pickled product sales increased from US \$250 million to US \$253 million.

Sales of soy-based sauces grew from US \$162 million to US \$175 million.

Main Producers and their South Korean Brands

Daesang Corp., whose major brands are Chongga Kimchi and Chungjungwon, led with a 30.5% value share in the market in 2008.

Ottogi Foods Co. Ltd. was second in the sauces, dressings and condiments market, with a 12.0% share in 2008. Its main brand is Ottogi.

Sam Yang Foods Co. Ltd. was third in the market, with 10.7% market share in 2008. Its brand is Samyang.

► **Confectionery**

This sector's sales value stayed the same at US \$1.0 billion from 2008 to 2009.

Forecasts for 2009-2014

Confectionery sales are forecast to increase by 4% in value. The sales value of chocolate is expected to increase by 6%. The sales of sugar confectionery and gum are both expected to increase by 2%.

Main Sectors 2008-2009:

Chocolate confectionery remained steady at US \$386 million.

Gum sales continued at US \$331 million.

Sugar confectionery remained constant at US \$313 million.

Main Producers and their South Korean Brands

Lotte Confectionery Co. Ltd. was the leader in the chocolate confectionery market with a 33.7% share in 2008. Its main brand is Dream Cacao.

Lotte Confectionery Co. Ltd. was also the leader in the sugar confectionery market with a 27% share in 2008. Its main brand is Anytime.

Lotte Confectionery Co. Ltd was the leader in the gum market with a 62.5% market share in 2008. Its main brand is Xylitol.

**Company Shares (by Global Brand Owner) - Retail Value % breakdown**

	2004	2005	2006	2007	2008
Lotte Group	9	9	9.1	9.1	9.4
Nong Shim Co Ltd	7.8	7.9	8.1	8.2	8.3
Seoul Dairy Cooperative	5.7	5.5	5.8	5.7	5.9
CJ Corp	4.1	4.4	5.4	5.6	5.8
Crown Confectionery Co Ltd	4.7	4.9	4.7	4.7	4.7
Maeil Dairy Industry Co Ltd	3.6	3.8	3.9	3.9	4
Namyang Dairy Products Co Ltd	3.8	3.9	3.8	3.7	3.7
Dongwon Group	2.8	2.9	2.8	3.3	3.4
Binggrae Co Ltd	3.2	3.1	3.1	3.1	3.1
Ottogi Foods Co Ltd	3	3.1	3.2	3.2	3.1
Yakult Honsha Co Ltd	3.2	3.1	3.1	3.1	3.1
Gyeonggi Nonghyup	2.9	2.8	2.7	2.6	2.5
Daesang Corp	1.6	1.7	2.5	2.5	2.5

Source: Euromonitor

The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

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