USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Voluntary Report - public distribution

Date: 9/10/2004

GAIN Report Number: KS4046

Korea, Republic of

Product Brief

Fresh Fruits & Vegetables - Update 2004

Approved by:
Susan B. Phillips, Deputy Director
Agriculture Trade Office, Seoul

Prepared by:
Young Sook, OH, Ag. Marketing Assistant

Report Highlights:
Currently, Korea is self-sufficient in almost all produce; however, imports are likely to continue growing. Local production is declining due to a shortage of agricultural labor and price competitiveness. Fresh produce consumption is growing as increasing of income and concerns about health and consumers demand larger quantities and greater variety. As a result, products that were traditionally seasonal are now available year-round.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Seoul ATO [KS2]
[KS]

Section I. MARKET OVERVIEW

Currently, Korea is self-sufficient in almost all produce; however, imports are likely to continue growing. Local production is declining due to a shortage of agricultural labor. Fresh produce consumption is growing as incomes increase and consumers demand larger quantities and greater variety. As a result, products that were traditionally seasonal are now available year-round.

The latest trend in food consumption, called "well-being," promotes the healthy foods produced in a healthy way. The government has supported the growth of environmentally friendly farming and it currently represents 3 percent of total agricultural production, most of which is produced organically or with lower pesticide and fertilizer use.

Table 1: Advantages and Challenges for U.S. Produce

Advantages	Challenges
Consumers consider U.S. product to be of good to superior quality	New product entry is a time-consuming process
U.S. prices are competitive with other imports and local production	Excessive fumigation requirements
For some products, little or no competition exists	High tariffs for some products

Section II. MARKET SECTOR OPPORTUNITIES AND THREATS

Most fresh produce (about 70 percent) is sold via the retail sector; 30 percent is sold at traditional markets, 25 percent at supermarkets, and 18 percent at wholesale markets. Fresh fruits, such as oranges and bananas are sold at all types of retail outlets, from high-end grocery stores to traditional wet markets; however most imported fresh produce is only available at the high-end grocery stores. There are relatively few barriers to entry for fresh fruits as there is no local substitute, barriers to entry for vegetable products are a bit more cumbersome.

The "Well Being" trend has played a large role in encouraging produce consumption. Consumers want to purchase fresh and healthy products; however, eating out has also become a major trend and fast food and family style restaurants are increasingly preparing dishes with a variety of fresh vegetables. It is estimated that 20 percent of fresh produce is sold through the hotel and restaurant sectors and 10 percent is used for local manufacture of processed products.

Section III. VEGETABLES

Korea is self-sufficient in almost all vegetables, although production is declining. In 2003, local vegetable production was 12.3 million tons compared with 13.8 million tons in 2001, a decrease of 10.5 percent. In contrast, imports increased from 81,039 metric tons in 2001 to 210,021 metric tons in 2003, an increase of 160 percent. Most of the increase was due to fresh potatoes and onions.

Vegetable consumption has increased by 3.3% annually since 1985, but surprisingly vegetables used for kimchi production (a local staple), such as cabbages and radishes has

stayed the same or declined. Vegetables used for salads (a foreign concept), such as lettuce, tomatoes, onions and garlic have increased.

Major local vegetables include: Chinese cabbage, radishes, onion, garlic, water melons, red peppers, cucumbers and tomatoes.

1. Potatoes

Potatoes are a popular local snack item. Korea imported 18,104 metric tons of fresh potatoes for manufacturing in 2003. Imports from the U.S. increased from 343 metric tons in 2002 to 6,402 metric tons in 2003, an increase of 1,770 percent. In 2004, imports from the U.S., January through July, were 8,956 metric tons, a year-on-year increase of 1,700 percent by volume. The majority of fresh potatoes (70 percent) are sold through retail outlets, 20 percent is used in the hotel and restaurant sector, and 10 percent for processing.

Fresh potatoes used for processing are mainly for the manufacture of potato chips. The total potato chip market was 60,000 metric tons: 76 percent made from local production, 17 percent from Australian potato, and 7 percent from U.S. potato in 2003.

Table 2. Imports of fresh potatoes (HS0701)
Unit: Value - $1,000

	1999	2000	2001	2002	2003	2004 (Jan-Jul)
Australia	2,444	3,566	2,602	3,574	4,800	8,025
Japan	375	345	148	343	0	0
U.S.	335	121	81	236	2,497	3,750
Mongolia	2,196	0	0	0	0	0
Other	80		48	0	0	0
Total	5,430	4,032	2,879	4,153	7,297	11,775

2. Onions

Onions are mostly used for adding flavor to Korean side dishes, in the preparation of Chinese-style foods, and for manufacturing snacks, such as onion rings. Korea imported 76,304 metric tons of fresh onions for $16.8 million in 2003. Imports from the U.S. increased from 183 metric tons in 2002 to 11,330 metric tons in 2003, an increase of 6100 percent. In 2004, imports from the U.S., January through July, were 10,015 metric tons, a year-on-year decrease of 13 percent by volume. However, it is expected that the imports will be about the same as last year. Currently, only 11 percent of demand for onions is being met by imports.

Table 3. Imports of fresh Onions (HS0703-10-1000)
Unit: Value - $1,000

	1999	2000	2001	2002	2003	2004

						(Jan-Jul)
China	138	313	1,333	25	8,452	3,019
New Zealand	1,363	3	3	0	11	0
U.S.	2,836	308	8	45	6,932	6,053
Other	0	105	0	37	1,360	15
Total	4,337	729	1,345	107	16,755	9,087

3. Garlic

Currently, Korea only imports garlic from China due to its price competitiveness.

Table 4. Imports of Fresh Garlic (HS0703-20)
Unit: Value - $1,000

	1999	2000	2001	2002	2003	2004(Jan.-July)
China	5,939	113	8,135	6,996	3,888	4,175
Total	5,939	113	8,135	6,996	3,888	4,175

Section IV. FRUIT

Total fruit production in Korea was 2.3 million tons in 2003 compared with 2.5 million tons in 2002, a decrease of 9 percent. The first 7 months of 2004 has already proven to be a record for U.S. fresh fruit exports to Korea, totaling $84 million. Oranges continue to be the largest U.S. fresh fruit export, $75 million to the Korea followed by grapes, cherries and lemons.

Major local fruits include apples, table grapes, Asian pears, persimmons, tangerines, peaches and plums.

1. Oranges

Orange imports have steadily increased since 1995 reaching 140,000 tons in 2003. Oranges from the California counties of Tulare and Fresno, accounted for 87 percent of total U.S. imports in 2003. However, citrus products from these counties have been banned due to Septoria citri since April 2004. This ban has not yet impacted U.S. imports since most citrus from California is imported from January through April.

Table 5. Imports of fresh Oranges (HS 0805-10)
Unit: Value - $1,000

	1999	2000	2001	2002	2003	2004 Jan-Jul
U.S.	$25,653	60,369	75,234	85,101	109,367	75,234

	(95%)	(95%)	(97%)	(97%)	(97%)	(97%)
Other	1,083	2,992	1,966	1,966	3,264	1,966
Total	26,736	63,361	77,200	88,088	112,631	77,200

2. Grapes

Fresh grapes are imported from the U.S. from October through January and from Chile from February through May. Korea recently signed a free trade agreement (FTA) with Chile that allows preferential access for Chilean grapes. A seasonal tariff of 45 percent will be applied to Chilean grapes only during the November-April period starting in 2004. This tariff will be reduced by 4.5 percent each year until it reaches zero in 2013.

In general, Korean's prefer larger, sweet, seedless and darker colored grape varieties. Locally produced grape varieties are Campbell, Seredan and Geobong. Red Globe and Thompson varieties are the imported from Chile and U.S.

Table 6. Imports of fresh Grapes (HS 0806-10)
Unit: Value - $1,000

	1999	2000	2001	2002	2003	2004 Jan-Jul
Chili	9,454	10,348	8,438	8,673	13,656	13,126
U.S.	788	2,313	1,108	1,771	4,075	758
Total	10,242	12,661	9,546	10,444	17,732	13,884

4. Cherries

Korean's prefer Bing cherries. Tulare and Brooks varieties are early season varieties and priced competitively with Bings.

Table 7. Imports of fresh Cherries (HS 0809-20)
Unit: Value - $1,000

	1999	2000	2001	2002	2003	2004 Jan-Jul
U.S.	592	1,078	1,183	1,497	3,826	5,330
Other	131	187	182	192	285	486
Total	723	1,265	1,365	1,689	4,111	5,816

5. Lemons

Table 8. Imports of fresh Lemons (HS 0805-50)
Unit: Value - $1,000

	1999	2000	2001	2002	2003	2004 Jan-Jul
U.S.	3,628	4,047	4,453	4,669	3,784	2,336
New Zealand	104	94	129	214	73	54
Other	0	3	21	52	23	1
Total	3,732	4,144	4,603	4,935	3,880	2,391

Section III. MARKET ACCESS

Table 9. Tariffs and Tariff Quotas for Vegetables

HS Code	Commodity Description	Tariff
0701.10.0000 0701.10.9000	Seed Potato Other than seed potato	Quota: 1,898 MT/N=0%, M=304% Quota: 18,810 MT/N=30%, M=304%
0703.10.1000 0703.20.1000	Onions Garlic	Quota:20,645MT/ N=50%, M=135% Quota:14,467 MT/ N=50%, M=360%
0704	Cabbage & Cauliflower	27%
0705	Lettuce & Chicory	Lettuce: 45% & Chicory: 8%
0709	Artichoke & Asparagus	27%

N: tariff within the quota, M: tariff when exceeding the quota

Table 10. Tariffs and Tariff Quotas for Fruits

HS Code	Commodity Description	Tariff
0803	Bananas	30%
0804.30 0804.40 0804.50	Pineapple Avocado Mango	30% 30% 30%
0805.10 0805.20.1000	Oranges Korean citrus	Quota: 57,017 MT / N=50%, M=50% Combined Quota of these 4 different codes

0805.20.9000 0805.50.2020 0805.90.0000	Others Limes Others	2,097MT / N=50%, M=144%
0809.20	Cherries	24%

N: tariff within the quota, M: tariff when exceeding the quota

Table 11. Current Entry Requirements for U.S. Vegetables

Commodity	Entry Requirements	Comments
Artichoke	PC[1]	
Asparagus	PC	
Barley	PC	
Basil	PC	
Bean husk(dried)	PC	
Bean Sprout	PC	
Broccoli	PC	
Brussels sprout	PC	
Carrot	PC	
Cauliflower	PC	
Celery	PC	
Chinese cabbage	PC	Cabbage is prohibited
Chive	PC	
Cilantro	PC	
Corn(seed)	PC	
Endive	PC	
Garlic	PC	
Gingko	PC	Pulp should be removed
Horseradish(w/raw roots) (Armoracia rusticana)	PC	
Leek	PC	Underground part prohibited
Lemon grass	PC	
Mint	PC	
Mushroom	PC	
Mustard green	PC	
Onion	PC	
Oregano	PC	
Parsley	PC	
Potato	PC	AZ, CA, CO, DE, KS, MD, MT, NB, ND, NM, NV, NY, OK, PA, SD, UT, WV, WY prohibited
Radicchio	PC	
Rhubarb	PC	

Rice(hulled)	PC	
Rosemary	PC	
Shallot	PC	
Soybean oilseed cake	PC or EC[2]	
Soybean palletized hulls	PC or EC	
Soybean seeds	PC	
Spinach	PC	
Tarragon	PC	
Turnip	PC	
Watercress	PC	
Wheat	PC (KB AD[3])	Allowed from Karnal bunt free area only.

Table 12. Current Entry Requirements for U.S. Fresh Fruits

Commodity	Entry Requirements	Comments
Avocado	PC	HI, TX, FL prohibited
Banana	PC	Mature banana prohibited
Cherry	PC, MB[4]	
Coconut palm	PC	
Grape	PC (ff AD[5])	HI, TX prohibited
Grapefruit	PC (ff AD)	HI, TX, FL prohibited
Kiwi	PC (ff AD)	HI prohibited
Lemon	PC(ff AD)	HI, TX, FL prohibited
Lime	PC (ff AD)	HI, TX, FL prohibited
Melon	PC (ff AD)	HI prohibited
Orange	PC (ff AD) Mandatory fumigation	HI, TX prohibited
Persimmon	PC (ff AD)	HI, TX, FL prohibited
Pineapple	PC	Underground part prohibited

Notes:

1. Phytosanitary Certificate (PPQ Form 577)
2. Export Certificate for Processed Plant Products (PPQ Form 578)
3. Following Additional Declaration should be on the PC, “The wheat in this shipment originated in areas of the United States where Tilletia indica (Karnal bunt) is not known to occur”.
4. Methyl Bromide treatment
5. Following Additional Declaration must be entered on the PC, “This shipment was produced and packed in an area outside of the quarantine regulated area for fruit flies (Med fly, Oriental fruit fly, Mexican fruit fly, etc.)”

Commodities Not Listed should be considered prohibited, or else the requirements are not known or have not been established. For more specific information, APHIS office in Seoul (Phone: 82-2-397-4198, E-mail: yunhee.kim@aphis.usda.gov) or consult the National Plant Quarantine Service (NPQS) of Korea.

SECTION VI. POST CONTACT AND FURTHER INFORMATION

U.S. Agricultural Trade Office (ATO), Seoul, Korea
Tel: (011 82-2) 397-4188
Fax: (011 82-2) 720-7921
E-mail: atoseoul@usda.gov
Home Page: www.atoseoul.com

U.S. Mailing Address
U.S. Embassy Seoul
Unit 15550 – ATO
APO, AP 96205-5550

Local Mailing Address:
U.S. Agricultural Trade Office
#303, Leema Building
146-1, Susong-dong, Chongro-ku
Seoul 110-140, Korea