

INVESTMENT
OPPORTUNITIES
IN KOREA

Food & Beverage



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* Figures on the report show the likely adjustment of average yearly currency rates from Korean Won (KRW) to the US dollar (USD). A rate adjustment is adopted particularly reflecting the recent average market variations to eliminate the valuation effects arising from movements in exchange rates in case when the data expressed shows an annual growth rate on the paper.

* Rate adjusted figures are rounded off, but the sum is correct down or up to the decimal when the rounded values are not equal to the adjustment.

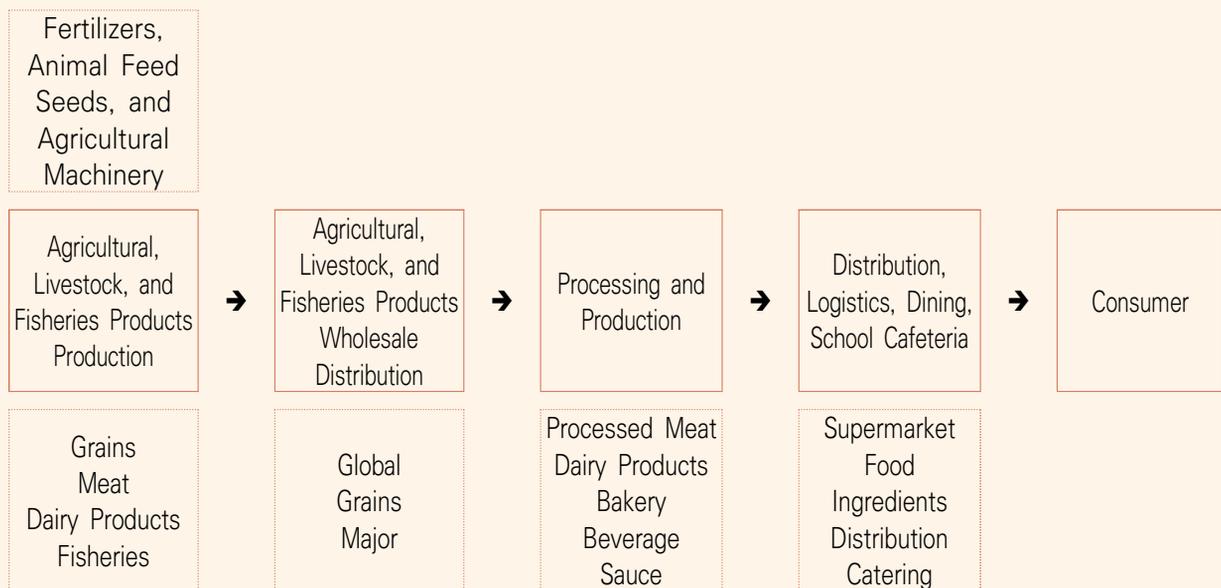


1 Trends of the Industry

Definition

- (Definition of Food) All types of natural and processed food products containing at least one or more types of nutrients that can be consumed after being processed to a certain degree in terms of the manufacturing sector
 - ※ Legal Definition of Food
 - Agricultural and fishery products that humans can eat or drink directly or all kinds of food and drink, of which the ingredients are agricultural and fishery products (Framework Act on Agriculture, Rural Community and Food Industry)
 - All types of foods and beverages excluding those taken as medicine (Food Sanitation Act)
- (Definition of the Food Industry) In terms of industries, the food industry refers to the industry related to all economic activities for processing and production of agricultural and fisheries products into food products that can be delivered to end consumers.
- (Value Chain of the Food Industry) With the supply of food ingredients and food additives placed at the back of the industry, the distribution/logistics of processed foods to end customers, as well as the dining industry, are in the frontline of the food industry.

【 Value Chain Structure of the Food Industry 】





1.1 Market Trends in Korea

- ▶ **The Korean food industry saw a significant growth thanks to the economic growth and expansion of household expenditure since the 1970s.**
 - As of 2017, production in the Korean food industry reached USD 794.98 million, accounting for 5.9% of production in the manufacturing industry.
 - The ratio of the food industry in the manufacturing industry continues to rise, and the number of businesses, production amount, and added value has been growing rapidly since 2007.
 - Since 2007, the Korean food industry recorded a rapid annual average growth rate of 6.4%, significantly higher than that of the entire manufacturing industry, which posted an annual average growth rate of 4.8%.
 - As of 2017, there were a total of 5,481 businesses in the food industry, accounting for 7.9% of the entire manufacturing industry. In terms of the number of people working in the industry, the food industry also accounted for about 7.3% of the manufacturing industry.
 - The number of businesses in the food industry has been growing faster than that of the manufacturing industry, mainly because it is relatively easier to start a business in the industry compared to other industrial sectors.
 - The ratio of the number of businesses in the manufacturing industry is higher than the ratio of the production amount because the food industry is not only labor intensive but also mostly comprised of small businesses.
 - As of 2017, the ratio of added value compared to the production amount of the food industry was 37.4%, which is relatively higher than all the other sectors of the manufacturing industry.
 - Since 2007, the amount of added value of the food industry has been growing an annual average growth rate of 5.6%, which is slightly lower than that of the production amount but higher than all other sectors of the manufacturing industry.

Main Index of the Food Industry

(Units: No. of businesses, USD million)

		2007	2012	2017	CAGR (2007-2017)
No. of businesses	Businesses	4,257	4,423	5,481	2.6
	Ratio in the manufacturing industry	6.9	6.9	7.9	
Production	USD million	42,823	66,756	79,496	6.4

		2007	2012	2017	CAGR (2007-2017)
amount	Ratio in the manufacturing industry	5.1	5.0	5.9	
Added value	USD million	17,219	23,071	29,697	5.6
	Ratio in the manufacturing industry	5.9	5.4	6.2	

Source: Mining and Manufacturing Survey, Statistics Korea

- As of 2017, the number of people working in the food industry was around 217,000, accounting for approximately 7.3% of the entire manufacturing industry.
 - The average number of employees per business in the food industry was 39.6, which is slightly lower than the 42.5 in the manufacturing industry. In addition, the average labor cost per business in the food industry was relatively lower than that of the manufacturing industry at 67%.

Hiring Trends of the Food Industry

(Unit: No. of persons)

Classification	2007	2009	2011	2014	2016	2017
Manufacturing	2,507,598	2,452,880	2,694,782	2,904,914	2,957,917	2,954,811
Food	163,236	166,538	176,729	194,954	211,568	216,998
Food Ingredients	149,758	153,429	163,602	181,377	195,940	201,350
Beverage	13,478	13,109	13,127	13,577	15,628	15,648
Ratio in the manufacturing industry (%)	6.5	6.8	6.6	6.7	7.2	7.3

Source: Mining and Manufacturing Survey, Statistics Korea

Number of Employees and Labor Cost per Business

Classification (Year)	No. of employees		Total labor cost per business (USD 10,000)	
	Manufacturing	Food	Manufacturing	Food
2007	40.6	38.3	104	75
2017	42.5	39.6	164	109

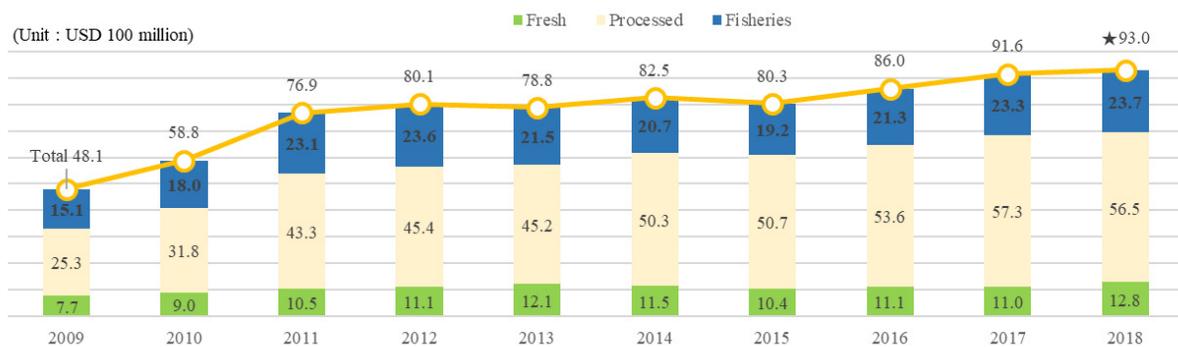
Source: Mining and Manufacturing Survey, Statistics Korea

- As of 2018, the export value of the Korean food industry (processed foods) reached USD 5.65 billion, which is more than double that of 2009. (The total export value of fresh agricultural and fisheries products including fresh products was USD 9.3 billion.)
 - (By item) The increase in exports has stemmed from noodles, cookies, and beverages such as coffee.



- The export value of noodles in 2018 was approximately USD 560 million, which is 4.8% higher than that of the previous year.
- Exports of cookies continue to increase despite the decrease in the volume of export to China as the United States and Japan still continue to import more cookies from Korea.
- Exports of Korean beverages are growing at a rapid pace in the ASEAN market thanks to the popularity of Hallyu in the region.
- As for alcoholic beverages, the consumption of Korean alcoholic beverages has decreased in Japan, which has been the biggest importer of Korean alcoholic beverages, but the export of Korean alcoholic beverages is still on the rise as sales have increased in the Chinese and ASEAN markets.

Trends in the Export of Processed Foods



Source: Agriculture, Forestry and Fisheries Import & Export & Statistics, Ministry of Agriculture, Food and Rural Affairs (2019)

- (By country) Exports of Korean processed foods to China and emerging countries in the ASEAN region have increased thanks to the growing demand for Korean processed foods in these countries.
 - Exports of Korean alcoholic beverages to Japan have been declining despite the fact that they have been Korea's biggest export to Japan for many years, while exports of Korean instant noodles, kimchi, and tuna also continue to fall slightly.
 - Exports of Korean instant noodles, laver, and cookies have fallen slightly after having been the growth engine for Korean exporters in the Chinese market, and exports of Korean alcoholic beverages, dairy products, and beverages have been on the rise as the demand for these products continues to grow.
 - ASEAN countries are now the new target market for Korean exporters thanks to the growing demand for Korean instant noodles, coffee products, cookies, and beverages in these countries.

Export Trends by Region

(Units: USD million)

	Japan	US	China	ASEAN	Hong Kong	Taiwan	EU
2017	1,060.2	570.5	811.7	1,066.2	258.9	198.7	421.7
2018	1,053.8	598.3	900.9	1,103.2	279.4	180.3	373.2
YoY(%)	-0.6	4.9	11.0	3.5	7.9	-9.3	-11.5

Source: Agriculture, Forestry and Fisheries Import & Export & Statistics, Ministry of Agriculture, Food and Rural Affairs (2019)

Note: The statistics are based on processed foods.

1.2 Industrial Competitiveness

➤ **(Level of technology) Compared to other countries with advanced agricultural and food technologies, Korea is still less competitive in terms of agriculture, life sciences, and food engineering.**

- Thanks to the increasing global demand for Korean processed foods, Korean companies now have more international food certifications and diverse business models and much more advanced technology for manufacturing processed foods.
 - The technology for creating dry powdered food that preserves the nutrients has been commercialized, and food engineering technology is becoming further advanced with the development of the nanocapsule technology using biological high polymers as a result of technological advancement in the area of nano convergence.
- Korean businesses still have far to go in the development of health functional foods catering to personal genetic characteristics and chronic diseases and high value-added and highly functional foods for the future.

Major Countries' Level of Competitiveness in Agricultural and Food Technology (as of 2018)

	US	Germany	Netherlands	Japan	China	Korea
Food engineering	96.1	92.5	91.3	100	70.8	77.0
Food nutrients	100	87.2	85.9	94.4	75.5	76.5
Hygiene and safety	100	91.2	92.2	89.8	67.5	76.3
Food processing	100	96.1	94.6	99.3	74.8	85.0
New materials for agriculture and life sciences	100	89.6	90.6	97.4	77.1	77.3

Source: Technology Level Evaluation on the Food, Agriculture and Forestry (2018)



- ▶ **(Growth potential)** Because of the increasing number of one-person households and recent changes in the population structure, more new products are being developed to meet the changing demands, and exports of these products are on the rise. For these reasons, the food industry has good potential for growth.
- As of 2017, the food industry has seen an increase in both sales of groceries and beverages, which increased by 3.45% and 6.02%, respectively, from the previous year. Overall, the food industry has been on a steady rise since 2015.

Growth of the Food Industry

(Unit: %)

		2015	2016	2017
Manufacturing	Growth rate of total assets	4.04	5.07	6.49
	Revenue growth rate	-2.82	-0.55	9.01
Food production	Growth rate of total assets	7.86	6.18	12.51
	Revenue growth rate	5.18	5.46	3.45
Production of beverage products	Growth rate of total assets	4.52	3.05	-1.48
	Revenue growth rate	3.91	0.42	6.02

Source: Financial Statement Analysis, Bank of Korea

- ▶ **(Productivity)** The capital productivity and value-added ratio of the food industry are slightly lower than those of the manufacturing industry.
- As of 2017, the capital productivity of the food manufacturing industry was 19.97%, while that of the manufacturing industry in the same year was 20.88%.
 - The ratio of the capital productivity of the beverage sector was relatively high at 21.41% because the sector has the characteristics of a process industry.
- The value-added ratio of the grocery sector is relatively low, while the beverage sector is fairly high, indicating that the beverage sector generates more profit than the grocery sector.

Productivity of the Food Industry

(Unit: %)

		2015	2016	2017
Manufacturing	Capital productivity	19.5	19.5	20.9
	Value-added ratio	24.0	25.6	26.5
Food manufacturing industry	Capital productivity	21.5	21.6	20.0
	Value-added ratio	21.0	21.4	20.9
Beverage industry	Capital productivity	21.1	20.7	21.4
	Value-added ratio	35.0	35.6	35.4

Source: Financial Statement Analysis, Bank of Korea

- **(Value chain)** This has been primarily a domestic industry, but the value chain and competitiveness of the industry have improved following the optimization of the distribution network in the Chinese and ASEAN markets and the recent increase in sales in the global market enjoyed by Korean exporters.
- Various types of the global value chain are being formed thanks to the implementation of new strategies for the supply, distribution, and reduced production costs of raw materials in addition to moving into the global market.
 - Because of the characteristics of the domestic industry, investments in the development of new products and industries with great potential for growth are being made in Korea.
 - Most of the activities in the value chain are being carried out within Korea, except for raw materials, for which most Korean companies are dependent on imports because of insufficient infrastructure for the production of raw materials in Korea.
 - Thanks to the development of more products designed for export to China, ASEAN countries, and the Middle East, Korean companies are becoming more competitive in the development of new products.

Ratio of Raw Materials Produced in Korea (as of 2017)

Item	Corn	Flour	Red chili powder	Whole milk powder	Potato starch	Soybean oil
Ratio of raw materials produced in Korea (%)	0.2	1.1	44.0	14.1	3.6	0.5

Source: Research on the consumption of raw materials in the food industry in 2018, Ministry of Agriculture, Food and Rural Affairs and Korea Agro-Fisheries & Food Trade Corporation (2018)

- One of the recent changes in the management of a value chain is that Korean businesses were able to increase their export sales in China and ASEAN countries where the demand for Korean processed foods is high after building more production facilities in the respective markets.
 - Korean businesses are engaged in more M&A activities aimed at penetrating deeper into the global market, in addition to entering a strategic partnership with local companies to establish a global distribution network.
 - The localization process is moving forward at a fast pace based on the local production of some of the items for which the demand is high in the local market.



- Korean businesses have implemented various methods to enter the global market according to their business and products through localization by shifting their entire value chain or relocating some portion of their business to the country where the market is, while carrying out only the essential business activities in Korea.
- ▶ **(Korea's position in the global market)** In 2019, the Korean food market had a volume of USD 128.7 billion, accounting for approximately 1.9% of the global food market. Moreover, it continues to hit new highs thanks to the increasing demand for Korean processed foods in the growing market of China and emerging countries in the ASEAN region.
- Forecasts show that the global food market will continue to grow because food belongs to the defensive sector of the economy.
 - As of 2019, the volume of the global food market was approximately USD 6.9 trillion, which is expected to grow to approximately USD 7.4 trillion by 2021.
 - Unlike in the United States and Europe, where the processed food industry is in its maturity, the consumption of processed foods still continues to grow in the emerging countries in Asia, the Pacific region, and Europe following their economic growth. These emerging countries are now the driving force behind the global food market.
- The food industry is heavily influenced by the volume of the domestic market. For this reason, the position of the Korean food industry in the global market is relatively low, but it posted an annual average growth rate of nearly 3%.
 - The consumption of Korean processed foods is on the rise in the Southeast Asian and Chinese markets. Coupled with the geographical advantages of Korea, exports of processed food to these markets are growing, contributing to the growth of the volume of the Korean processed food industry.
 - Korean businesses are exerting their best efforts to overcome the stagnation of the domestic market by selling to the global market, establishing a new export structure to export high value-added products, tackling nontariff barriers to trade with major importers, signing a free trade agreement with target countries, and entering a partnership with foreign companies.

Global Food Market Trends and Korea's Position in the Market (2017)

(Unit: USD billion)

Classification	2015	2016	2017	2018 ^e	2019 ^e	2020 ^e
Global	6,097.8	6,128.4	6,351.5	6,669.1	6,907.8	7,149.9
Europe	1,972.7	1,950.2	2,016.1	2,125.4	2,171.4	2,215.4
Asia Pacific	2,112.2	2,166.3	2,248.4	2,380.0	2,504.4	2,637.4
China	1,158.3	1,150.1	1,198.3	1,280.5	1,359.5	1,448.1
Japan	354.6	395.4	387.5	398.4	407.2	414.4
Korea	104.3	108.0	116.7	123.1	128.7	133.9
US	1,266.7	1,297.3	1,328.8	1,368.3	1,406.2	1,442.0
US	1,136.8	1,167.4	1,192.9	1,224.8	1,258.3	1,290.1
Latin America	580.2	551.8	597.7	624.9	646.9	667.9
Middle East and Africa	166.0	162.8	160.5	170.5	178.8	187.2

Source: Statistics of the food industry in 2018, Ministry of Agriculture, Food and Rural Affairs and Korea Agro-Fisheries & Food Trade Corporation (2018)

1.3 Promising Fields in Korea

- ▶ **The increase in the population of one-person households, double-income families, and households without children has led to increased demand for home meal replacement (HMR), instant foods, processed foods, and prepackaged meals.**
 - Amid an economic slowdown, Korean people cut back on dining out as its cost has increased. Instead, people now resort to eating HMR, and processed food makers are addressing the demand by launching new HMR products on the market.
 - The increase in the population of one-person households has led to creating a new trend in the processed food industry. As a result, processed food makers are striving to cope with the changes in food consumption patterns by supplying various types of new easy-to-prepare meals, including HRM, prepackaged meals, and instant foods, while also diversifying their distribution channels.
 - * Expected ratio of one-person households: 29.6% → 30.9% in 2022 (Population Projections for Korea, Statistics Korea)
 - The volume of the HMR market in 2017 was USD 2.3 billion, a 21.7% increase from the previous year. It continues to grow with the increasing number of convenience stores, making it easier for consumers to buy HMR products.
 - The ratio of HMR sales through convenience stores increased from 15.2% in 2015 to 18.1% in 2017. (Prospects for the Food Industry in 2019, Lee Yongsun (2018), presented at the Conference on the Korea Food Outlook 2019)



- ▶ The food market for the elderly has bright prospects as Korea has one of the largest elderly populations.
 - The ratio of the population of people aged over 65 is expected to increase from 12.8% to 24.5% between 2015 and 2030.
 - High-demand products will likely be nutritional and easy-to-digest foods, along with other types of functional foods.

Growth Potential of the Food Market for the Elderly

(Unit: %)

No growth potential	Low growth potential	Average	High growth potential	Very high growth potential
0.0	5.0	17.5	65.0	12.5

Source: Senior-friendly Food Market and Its Vitalization, Korea Rural Economic Institute (2018)

Note: Results of the survey of food producers

2 Foreign Direct Investment Trends

2.1 Foreign Direct Investment Status

- ▶ Between 2010 and 2018, the total number of foreign direct investments in the food industry amounted to a total of 317, accounting for USD 1.56 billion.
 - The number of foreign direct investments in the food industry increased sharply to 64 in 2016, but the number continued to decrease since then.
 - Despite the drop in the number of foreign direct investments, the volume of investments continues to grow as the volume of each investment is considerably larger than in the past.

Trends of Foreign Direct Investments in the Korean Food Industry

(Unit: USD thousand)



Source: Statistics of Foreign Investments, Ministry of Trade, Industry and Energy

Ratio of Foreign Direct Investments in the Food Industry Compared to Those in the Manufacturing Industry

(Unit: %)

Classification	2010	2011	2012	2013	2014	2015	2016	2017	2018
No. of issues	5.2	5.3	5.1	4.2	6.4	6.0	11.9	7.6	6.7
Amount	1.5	3.3	3.4	2.9	2.1	5.0	3.3	2.3	2.2

Source: Foreign Investments, Ministry of Trade, Industry and Energy

➤ **In 2018, the number and amount of foreign direct investments accounted for 6.7% and 2.2%, respectively, in the food industry.**

- The ratio of the number of foreign direct investments was considerably higher than the ratio of the total amount of foreign direct investments because of the characteristics of the food industry, where a majority of businesses are small-sized.
- In 2018, the average amount of each foreign direct investment was approximately USD 6.35 million, one-third of the average amount of each foreign direct investment in the manufacturing industry, which was USD 190 million.

FDI value per case

(Unit: USD million)

Classification	2010	2011	2012	2013	2014	2015	2016	2017	2018
Manufacturing	10.9	9.3	10.8	10.2	15.1	8.3	9.3	13.2	19.3
Food	3.1	5.8	7.3	7.0	5.0	6.9	2.6	3.9	6.4

Source: Foreign Investments, Ministry of Trade, Industry and Energy

➤ **The structure of foreign direct investment by region shows that Asian investors made the most number of investments, while European investors placed the largest amount of investment.**

- Between 2010 and 2018, the number of investments from Asian countries amounted to a total of 178, accounting for 56% of the total number of investments made in the entire food industry.
 - In the same period, the value of each investment was relatively low, as the total amount of investments from Asian countries amounted to USD 400 million, accounting for only 26% of the total amount of foreign direct investments.
- The total number of investments from European countries was only 66 or approximately 21% of the total number of foreign direct investments in the entire Korean food industry, but the total value amounted to USD 770 million, which is approximately 49% of the total value of foreign direct investments in the entire industry.



Foreign Direct Investments in the Korean Food Industry by Region (2010–2018)

(Units: No. of investments, USD thousand)

Classification	US	Asia	Europe	Middle East	Africa
No. of issues	68	178	66	2	2
Amount	384,186	399,757	765,155	5,050	7,920
Amount of each investment	5,650	2,246	11,593	2,525	3,960

Source: Foreign Investments, Ministry of Trade, Industry and Energy

2.2 Success Cases of Major Foreign-Invested Companies

➤ **(Starbucks Korea) Starbucks Korea, a joint venture between Starbucks and Shinsegae (with 50% share each), is one of the biggest successes of Starbucks Coffee Company compared to other successes coffee giants had in other countries.**

- Since opening the first store near Ewha Womans University in 1999, sales continued to grow until they reached over USD 860 million in 2016. Compared to 2017, Starbucks Korea’s sales and profit increased by 20% and 24.8%, respectively.

- Such success is attributed to Starbucks Korea’s dominant position in the Korean coffee market and its use of aggressive strategies when opening new outlets.

- Most of Starbucks cafes in Korea have a pleasant environment, comfortable chairs, and diverse services. However, Starbucks Korea’s edge is that it can open a store anywhere it wants at its own discretion, as all Starbucks cafes in Korea are directly operated and, therefore, not bound by the zone restrictions like franchise stores.

- * Analyses show that some of the success factors include its strategies that are customized to meet the trends in Korea, Shinsegae’s years of experience in the distribution business, and directly operated stores.

- Aside from coffee, Starbucks Korea went the extra mile by adding bakery, cake, salad, and snacks to its menu to suit the tastes of Koreans.

- * More than 70% of the beverages sold by Starbucks Korea were developed in Korea.

- Starbucks Korea also serves seasonal menu items made of seasonal ingredients and local specialties.

➤ **(Royal Canin Korea) Royal Canin Korea is a pet food manufacturer founded in 1967 in France and acquired by a US-based Mars Chocolat France SAS in 2001.**

- Royal Canin Korea increased its investment in export business to export more than 80% of the entire production by its factory in Gimje, Jeollabuk-do, to Japan, Taiwan, Vietnam, Australia, and New Zealand.

- In March 2018, Royal Canin Korea invested USD 10 million in the production factory to increase the production of pet foods.
- Royal Canin Korea decided to invest more in the production facilities to prepare for the increasing demand for pet foods in the growing Korean pet food market, aiming to turn its factory in Gimje, which is currently in full operation, into a hub for export to other Asian countries.
- In 2014, Royal Canin Korea invested a total of approximately USD 77 million in building a factory in Gimje, creating 74 new jobs in the process.
 - More than 150 new jobs are expected to be created after 3 more production lines are added to the factory in the near future.
 - Royal Canin Korea became established as a community-friendly company through mutual cooperation with local companies for the supply of chicken and rice and the use of their warehouses, while also contributing to increasing Jeollabuk-do's exports by exporting more than 80% of the production volume to other Asian countries.
- **(Core Bio) Core Bio was established with capital investments from Russia and technical investment by the US-based company Capital Kombucha.**
 - Core Bio plans to build a production factory (23,140 m², an investment of USD 4.5 million) within the foreign investment zone of the Korea National Food Cluster to tap into the Chinese and Northeast Asian markets for fermented beverages.
 - After seeing that the demand for fermented drinks has been on the rise in the US market, Core Bio decided to export fermented drinks to China and Northeast Asia to have a head start in these markets.
 - Core Bio signed a technical agreement with the US-based company Capital Kombucha to extend the expiration date.
 - * As a result, Core Bio now has the technology to increase the expiration date to more than six months, whereas most other fermented drinks on the market can last only about one month.
 - As the first foreign-invested company at the Korea National Food Cluster, Core Bio launched fermented Kombucha tea in the Korean market.
 - Core Bio initiated the production of fermented drinks after establishing a new fermentation process based on Kombucha's traditional production methods with the help of the Korea National Food Cluster Support Center.
 - By working with Korea University and Korea National Food Cluster Support Center, Core Bio was able to improve Kombucha's production methods by increasing the number of fermentation stages from one to four to increase the



DSL (D-saccharic acid-1, 4-lactone)* content, preventing the production of toxic metabolites in the body, as well as the glucuronic acid content, which helps remove toxins from the body.

* Glucuronic acid helps remove toxins from the body and other substances that prevent the production of toxins.

- Korean and international technology patents are pending.
- Core Bio was able to further upgrade the health benefits of the fermented drinks that have been more popular in the United States and other countries than in Korea through the four stages of fermentation and adding the green tea leaves organically grown in Jeju Island. The company launched its new products on the health beverage market through CJ Home Shopping and Hyundai Home Shopping channels.

Investments in Korea by Major Foreign Food Companies

Country	Name of parent company	Name of company in Korea	Address	Production items	No. of employees in Korea*
US	Starbucks	Starbucks Korea	Seoul	Cafes	14,846
US	Coca-Cola	Coca-Cola Beverage Company	Yangsan, Gyeongsangnam-do	Beverage	2,333
Switzerland	Nestle	Lotte Nestle Korea	Cheongju, Chungcheongbuk-do	Coffee, animal feeds, dairy products	478
US	Dole Food	Dole Korea	Seoul	Processed fruits	93
US	Del Monte Foods	Del Monte Fresh Produce Korea	Seoul	Wholesale and retail of beverages and fruits/vegetables	75
US	Coffee Bean	Coffee Bean Korea	Seoul	Café	1,715
US	Mars	Korea Mars	Seoul	Chocolate, snacks, animal feeds	72
Japan	Asahi	Lotte Asahi	Seoul	Alcoholic beverages	228
Netherlands	Heineken	Heineken Korea	Seoul	Alcoholic beverages	156

Source: Statistics of the Food Industry (aTFIS), Korea Agro-Fisheries & Food Trade Corporation

Note: The number of employees in Korea is based on the count in 2018.

3 Policy and Location

3.1 Key Policies and Incentives

- ▶ **(Ministry of Agriculture, Food and Rural Affairs) Build an ecosystem for the innovation of the food industry and turn it into an industry for the future by implementing the “Third Basic Plan for the Promotion of the Food Industry.”**
 - Promote promising industry sectors, such as HMR, food for the elderly population, and functional foods.
 - Invest more in research and development while establishing a legal basis and industry standards for the planned development of new industries.
 - In terms of functional foods, review the implementation of new systems to lower the entry barriers to the industry and develop new regulations for new industries.
 - Focus on research and development after selecting 10 main areas of next-generation technology that will have a significant impact on the food industry sectors such as customized 3D printed food and alternative food for the future.
 - Promote the development of food machinery and develop/commercialize smart packaging materials.
 - Have more than 160 companies move into the food industry cluster by 2022 through the promotion of the cluster and provide them with the types of support they need, such as the improvement of residence conditions and the provision of technical solutions.
 - Offer support programs to turn the cluster into a mecca of food business startup.
 - Focus primarily on targeting companies innovative and full of R&D resources. Find solutions to motivate enterprises to further promote investment in R&D, providing a greater package of tax incentives, as financial inducements for new technologies.
 - Improve the efficiency of promoting R&D activities by strengthening the relationship with government institutes for the research and development of agricultural products, and promote technical exchange by offering a discount on technology transfer fees.
- ▶ **(Support programs of Korea Agro-Fisheries & Food Trade Corporation) Promote and support food companies at the Agro-Fisheries Food Business Support Center of Korea Agro-Fisheries & Food Trade Corporation.**
 - Improve food quality and hygiene (aT Food Business Consulting Department)



- Develop new sales channels for small and medium-sized food manufacturers that use Korean ingredients by improving the level of their food hygiene.
- Offer a 50% 60% discount on consulting fees and other costs of implementation by support area.
- Promote the production and consumption of organic foods (aT Food Business Consulting Department)
 - Promote the production and consumption of certified products by developing new sales channels for organic foods.
 - Support the development of sales channels, such as home shopping and online shopping malls.
 - Operate a food exhibition center and invite foreign clients to food exhibitions.
- Training programs for the food industry (aT Food Business Support Department)
 - Offer internship programs at Korean food companies (approximately 100 young people in different cities and regions).
 - Success Package Program for startups and jobs in the food industry (over 700 college students in different cities and regions).
 - Create jobs in the food industry and support network activities.
- Consulting on export expansion (aT Export Business Promotion Division)
 - Long-term consulting (within eight months) for individual businesses by a consulting group (Support 80% of the consulting fees for companies that are new to the export business and preparing for market diversification.)
 - Fixed amount fund for practical export consulting (finance/insurance, labeling, packaging, quarantine, clearance, logistics, overseas marketing, etc.)
 - Fixed amount fund for consulting on FTA exports (judgment and verification of the country of origin, registration of exporters certified for the country of origin, follow-up verification of the country of origin, origin management system, etc.)
- Localization support (aT Trade Information Department)
 - Offer clearance and market expansion solutions to exporters and importers in major export countries.
 - Provide support through the network of local professional organizations.
 - Remove nontariff barriers: Solutions for contract and tariff-related problems and local laws and systems
 - Labeling support: Create labels for export goods in the local language and support ingredient tests necessary for making the labels.

- Support for trademark application: Support the search of trademarks that are already registered and carry out the application process for businesses for the protection of intellectual properties.
 - Support for local packaging: Improve the package design or develop new packages to suit the taste of the local people.
- **(Support programs for the tenant companies of the Korea National Food Cluster)**
Offer financial programs to the tenant companies of the Korea National Food Cluster at the Support Center to help them get settled into the cluster.
- Support for TV home shopping
 - Among the tenant food manufacturers of the cluster, support those with products that meet the standards for TV home shopping.
 - Provide home shopping services, such as product planning and production of video clips.
 - USD 30,000 × 6 Companies (At least more than 25% of the cost must be paid by the advertiser.)
 - Support for logistics and marketing
 - Support is available for up to 10 tenant companies or companies that have signed a lease contract.
 - Support for a logistics management system, transportation (quarantine, clearance, sample, and transportation), market preparation (patent, certification, brand development, etc.), and development of sales channels (credit check of buyers, translation/interpretation, the invitation of buyers, etc.)
 - USD 20,000 per company (Support fund: Pay on own= 75%: 25%)
 - Integrated overseas marketing
 - Practical training on the trading business, including the import laws of the importing country, clearance and quarantine issues, and information on the importing country, such as local food culture, export clearance report, etc.
 - Support for the promotion and advertisement activities, such as setting up branches for global distribution and the introduction of products on local media
 - USD 40,000 per company (25% of the entire cost must be paid by the beneficiary.)
 - Exhibition booths
 - Supported 16 companies attending domestic food exhibitions and 9 companies attending overseas food exhibitions



- (Domestic) Provide the tenant companies with an opportunity to attend general food exhibitions by operating food market-type booths at the exhibition center instead of the “Policy Session Hall” for public organizations.
- (Overseas) Provide the tenant companies with an opportunity to export their products by discovering new buyers and advertising their products by operating shared booths through collaboration with aT.
- Support fund of up to USD 290,000 for participation in domestic food exhibitions, and up to USD 100,000 for participation in overseas food exhibitions.
- Support for sales at exhibition booths
 - Support the development of sales channels through training programs by inviting MD and shows for tenant companies wishing to display and sell their products at the exhibition.
 - Up to USD 5,000 for five companies (At least over 25% of the cost must be paid by the recipient.)
- (Investment incentives) Differentiated investment incentives optimized for the food industry
 - Various support funds for investment, hiring, and training for qualified Iksan and Jeollabuk-do-based companies that meet the prerequisites*
 - * Prerequisites: ① Efforts must have been made to sign an MOU with other businesses and local government. ② Companies that have been in business in Korea for more than three years

Status of the Support Fund Program at the Korea National Food Cluster

Classification		Major details
Investment support fund	Large-scale investment	Jeollabuk-do: Up to USD 9 million within 5% of the total investment amount
		Iksan: Up to USD 9 million within 5% of the total investment amount
	General investment	Jeollabuk-do: Up to USD 4.5 million within 5% of an investment exceeding the amount of USD 900,000
		Iksan: Up to USD 4.5 million within 5% of an investment exceeding the amount of USD 900,000
Hiring support fund	Jeollabuk-do	USD 454/month per person, up to six months, and USD 450,000 per business
	Iksan	USD 545/month per person, up to six months, and USD 180,000 per business
Education and training support fund	Jeollabuk-do	USD 90-454/month per person, up to six months, and USD 450,000 per business
	Iksan	Up to USD 90/month per person for up to three years

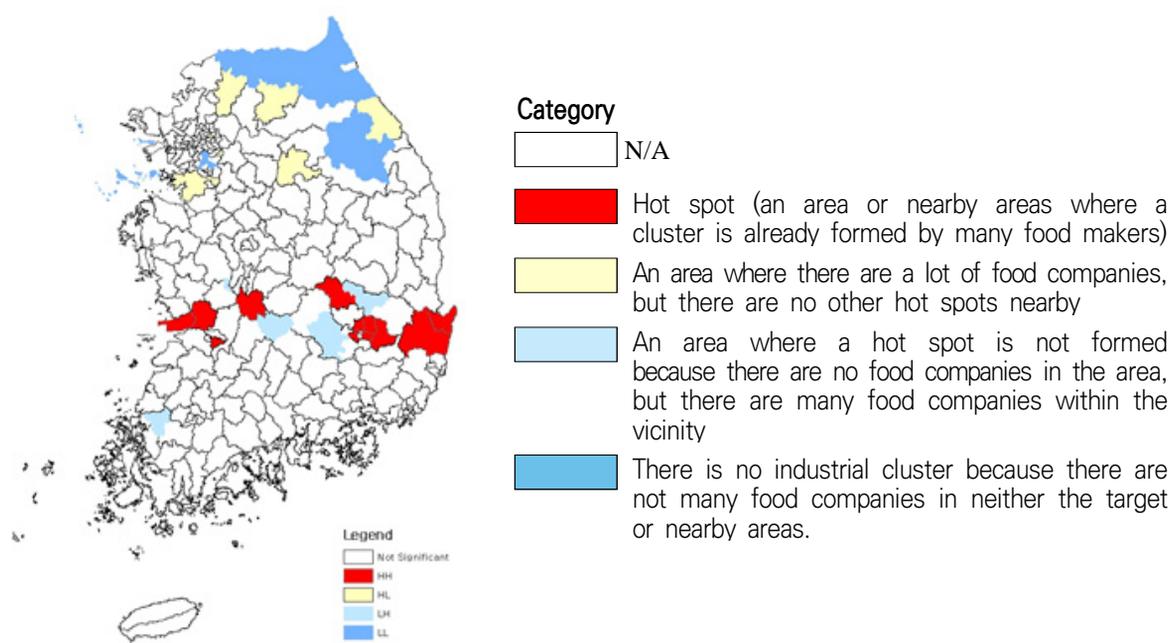
Classification		Major details
Settlement for workers support fund	Jeollabuk-do	Up to USD 90/month per person for up to three years
Distribution Center startup support	Iksan	Up to USD 900,000 per company within 5% of an investment exceeding the amount of USD 27 million
Support for SMEs		Facility operation fund (Jeollabuk-do), marketing costs (Iksan)

Source: Official website of the Korea National Food Cluster

3.2 Major Locations

- (General location of the food industry) Because of the characteristics of the food industry heavily depending on the raw ingredients, the industrial cluster is situated in a region with easy access to raw ingredients.

Location of Korean Food Producers



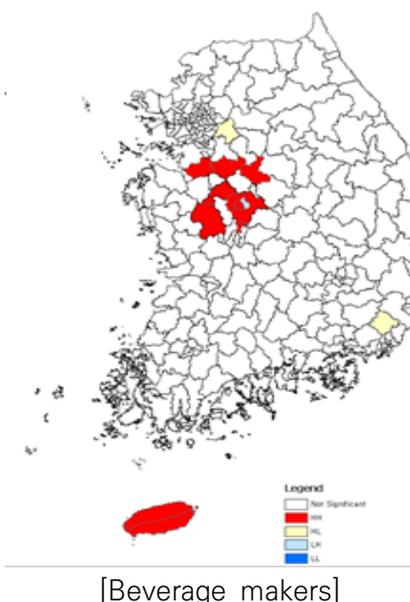
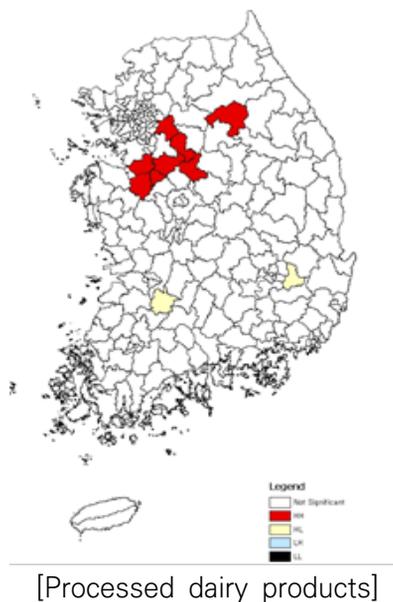
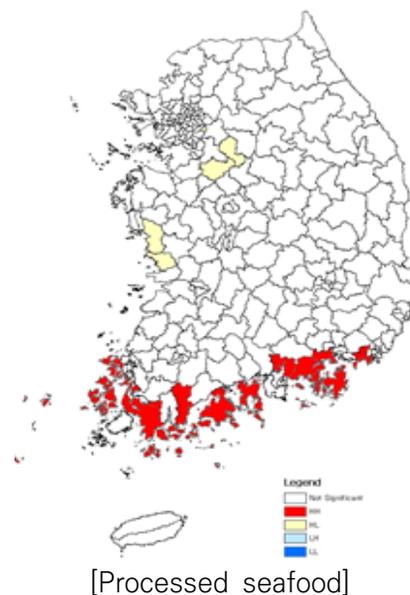
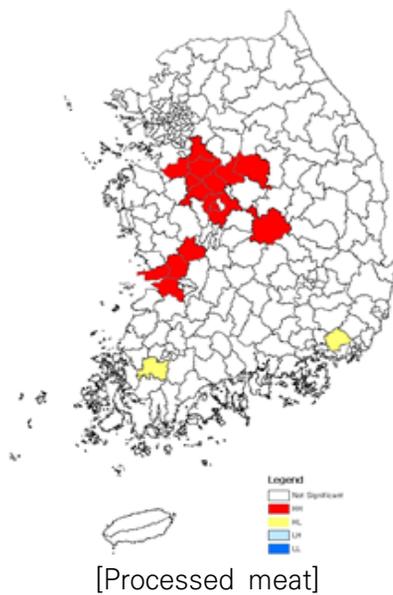
Source: Kim Yeongsu and others (2014)

- An analysis of the location of food producers showed that there are many food companies in Gunsan, Iksan, Jeonju, Gumi, Gyeongsan, Daegu, Gyeongju, and Pohang.
- The location of a food company is determined not only by the fact that the area is convenient for the supply of raw ingredients but also by the fact that it is close to an area where the demand for their products is high.



- The analysis also showed that there are many food companies in Gyeonggi-do, Incheon, and Gangwon-do because they are located close to Seoul, the capital city with the highest population density.
- o Food producers are based in a region in consideration of the supply of raw ingredients and the consumption of their products.
- An industrial cluster is formed in an area where numerous large food companies are located.

Location Details of Food Producers

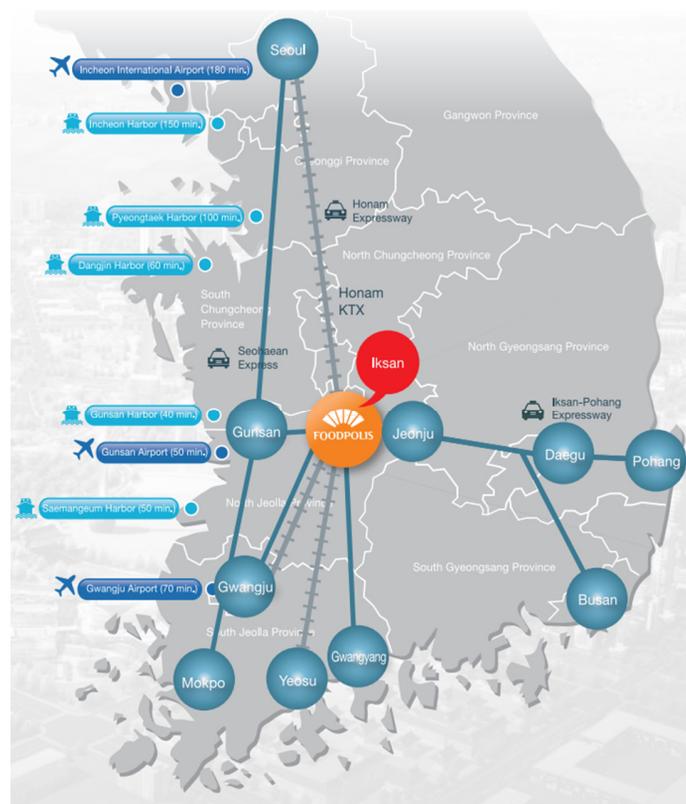


Source: Kim Yeongsu and others (2014)

➤ (Korea National Food Cluster) A national food cluster is formed to take initiatives in the rapidly growing Northeast Asian food market after rediscovering the value of the food industry (December 2017).

- The Korea National Food Cluster (Foodpolis) is a national industrial complex established in Iksan, Jeollabuk-do, as a core infrastructure for the promotion of the food industry by the Ministry of Agriculture, Food and Rural Affairs, the Provincial Government of Jeollabuk-do, and the City of Iksan.
- The industrial complex is being developed into a food industrial complex based on optimal transportation/logistics conditions, the supply of water, IT, and green energy with the goal of creating a global food cluster perfect for running a business.
 - The cluster is currently being established in Iksan, Jeollabuk-do, a city located in the west-central region of the Korean Peninsula. Within 50 km from the city, Saemangeum Embankment, Jeonju (City of Innovation), and Daedeok Science Town are located.
 - The city is advantageously located for businesses because it is located near Sejong City (administration), Saemangeum Embankment (production and distribution), and the Innovation City of Jeonju (research and education).

Location of the Korea National Food Cluster



Source: Official website of the Korea National Food Cluster



- (Geographical conditions) Establish an R&D center for domestic and foreign food companies to create a high value-added market and establish a one-stop food production system.
 - Establish a low-cost, high-efficiency logistics system by selecting a general logistics company capable of providing logistics services to the tenant companies. The area offers easy access to major road/railway networks, airports, and ports.
 - In Iksan, where the Korea National Food Cluster is located, it is possible to build a close R&D network with the cooperation of the six science R&D institutes located in Daedeok Science Town, Government Complex Sejong, and Jeonju.
 - Offer human resources training programs customized for tenant companies through industry-academia research collaboration, internship programs, and food academy.
- (Relocation plan) A majority of companies eligible to move into the food cluster are food producers (C10), beverage makers (C11), and other food-related businesses in accordance with the Korean Standard Industrial Code.
 - Various types of food companies are eligible to move into the cluster, especially those specializing in the “Five Strategic Foods,” including ① high-tech food such as functional and bio foods, ② fermented foods, ③ food additives and substances, ④ rice and other processed foods, and ⑤ popular foods.
- (Land utilization plan) The food industrial complex will be divided into five different zones, including industrial facilities, R&D complexes, business support facilities, theme parks, and others.

Land Utilization Plan for the Korea National Food Cluster

	Classification	Area	No. of companies	Industry categories and business types
Industrial complex	Strategic food zone (Intensive promotion)	350,000 m ²	50	- High-tech foods such as functional/bio foods and fermented foods - Food additives, sugar, starch and other substances, food ingredients, easy-to-eat foods, processed rice products, and popular foods
	Global food business zone (Foreign investment zone)	450,000 m ²	30	- Area designated for foreign-invested companies
	Logistics and distribution zone	100,000 m ²	5	- Logistics and shipping businesses - Distribution (delivery) businesses - Storage (low-temperature and cold storage)

	Classification	Area	No. of companies	Industry categories and business types
Industrial complex	General food zone (Local specialties special zone, etc.)	500,000 m ²	50	- Bakery, confectionery, noodles, beverages, and general alcoholic beverages - Processed meat, processed dairy products, and processed seafood
	Food industry zone	100,000 m ²	15	- Packages and vessels - Food processing facilities - Seasoning and food additives
	Food R&D sector	54,000 m ²	10	- Private research institutes, businesses, and university research institutes
	Business support facility sector	94,000 m ²	6	- Food Functionality, Safety, and Packaging Center - Pilot Plant, Rental Factory, Support Center
	Theme park sector	244,000 m ²	-	- Park, Global Theme Park, Reservoir, etc.
	Complex to move in and other areas	413,000 m ²	-	- Housing complex, wastewater treatment, and other public facilities - Road, park, etc.

Source: General Plan of the Korea National Food Cluster

- (Industrial Facility Sector) The Industrial Facility Sector will be divided into five different zones, including Strategic Food Zone, Global Food Company Zone, Logistics & Distribution Zone, and General Food Zone, according to the characteristics of the tenant companies and their business type.
- (R&D Sector) Located in the center of the Industrial Facility Sector, the R&D Sector is designated for Korean/foreign food research institutes and corporate/university research institutes that will play a leading role in the innovation of the food industry.

Land Utilization Plan for Industrial and R&D Facilities



Source: General Plan of the Korea National Food Cluster



4 Potential Partners

4.1 List of Related Companies

Company name	Major items	Website	Location
CJ Cheiljedang	Sugar, processed meat, instant foods, etc.	www.cj.co.kr	Seoul
Lotte Chilsung Beverage	Beverage	company.lottechilsung.co.kr	Seoul
Daesang	Starch, sauce, processed meat, etc.	www.daesang.co.kr	Seoul
Ottogi	Instant noodles, processed seafood, etc.	www.ottogi.co.kr	Gyeonggi-do
Nongshim	Noodles including instant noodles and macaroni	www.nongshim.com	Seoul
Lotte Foods	Lotte Foods	www.lottefoods.co.kr	Seoul
Paris Croissant	Bakery production	https://www.pariscroissant.co.kr/	Gyeonggi-do
Oriental Brewery Company	Production of malt and beer	www.ob.co.kr	Seoul
Seoul Dairy Cooperative	Production of liquid milk and other dairy products	www.seoulmilk.co.kr	Seoul
Samyang	Sugar, flour, etc.	www.samyangcorp.com	Seoul
Hite Jinro	Alcoholic beverages including soju and beer	www.hitejinro.com	Seoul
Dongwon F&B	Processed seafood, dairy products, etc.	www.dongwonfnb.com	Seoul
Lotte Confectionery	Cookies, cocoa products, etc.	www.lotteconf.co.kr	Seoul
Dongsuh Foods	Coffee processing	www.dongsuh.co.kr	Seoul
Korea Ginseng Corp.	Production of ginseng products	www.kgc.co.kr	Daejeon
Maeil Dairies	Dairy products, coffee products, etc.	www.maeil.com	Seoul
Coca-Cola Beverage Company	Production of other nonalcoholic beverages	www.ccbk.co.kr	Gyeongsang nam-do
Nonghyup Feed	Production of feed formula	www.nonghyupsaryo.co.kr	Seoul
Dongwon Home Food	Production of natural and multi-compound seasonings	www.dwhf.co.kr	Seoul
TS Corporation	Sugar	www.ts.co.kr	Incheon
Namyang Dairy Products	Dairy products, coffee products, etc.	company.namyangi.com	Seoul
Korea Yakult	Production of liquid milk and other dairy products	www.hyfresh.co.kr	Seoul
SPC Samlip	Bakery production	www.spcsamlip.co.kr	Seoul
Farmsco	Production of complete feeds	www.farmsco.com	Seoul

Company name	Major items	Website	Location
Binggrae	Ice desserts, dairy products, and coffee products	www.bing.co.kr	Gyeonggi-do
Cargill Agri Purina	Production of feed formula	www.cargillanimalnutrition.co.kr	Gyeonggi-do
Harim	Processed meat	www.harim.com	Jeollabuk-do
Samlip General Food	Bakery, etc.	www.spcsamlip.co.kr	Gyeonggi-do
Haitai Confectionery & Foods	Cookies, cocoa products, etc.	www.ht.co.kr	Chungcheongnam-do
Orion	Bakery, cookies, etc.	www.orionworld.com	Seoul
Sajo Haepyo	Animal and vegetable oil and fat	hp.sajo.co.kr	Seoul
Crown Confectionery	Cookies, cocoa products, etc.	www.crown.co.kr	Seoul
Sajo Daelim	Processed seafood	dr.sajo.co.kr	Seoul
Daehan Flour Mills	Flour and other processed grains	www.dhflour.co.kr	Seoul
Hansung Enterprise	Processed seafood	www.hsep.com	Busan
Samyang Food	Noodles including instant noodles and macaroni	www.samyangfood.co.kr	Seoul
Sajo Seafood	Processed seafood	sf.sajo.co.kr	Seoul
Sempio	Soy sauce, soybean paste, and other fermented foods	www.sempio.com	Seoul
CJ Seafood	Processed seafood	www.cjseafood.net	Gyeonggi-do

Source: Food Information Statistics System

4.2 Related Associations

Name of association	Website	Main roles
Korea Foods Industry Association	www.kfia.or.kr	Information on the food industry, training on food safety, support for the development of government policies, export support, etc.
Korea Dairy Industries Association	www.koreadia.or.kr	Development of the dairy industry, expansion of consumption, development of sales channels for fresh milk and dairy products, export support, etc.
Korea Health Supplements Association	www.hfood.or.kr	Research on and proposal of policies, public advertisements, government-commissioned projects, etc.
The Korea Rice Foodstuffs Association	www.krfa.or.kr	Management of the supply and demand of processed rice, promotion of rice sales, development of the industry, R&D, etc.
Korea Alcohol & Liquor Industry Association	www.kalia.or.kr	Promotion of the liquor industry, R&D, public advertisement, etc.



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