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Global Agricultural Information Network

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Report Highlights:

Welcome to The Seoul Source, the sole stop for information on agriculture-related news in Korea. In this issue: Seoul AAO hosts a roundtable on North Korean agriculture; Seoul ATO conducts market research in the port city of Busan; Koreans pursue “healing” foods; and the Korea-China FTA outlook.

DPRK Roundtable hosted by AAO on September 24



On September 24th, the Agricultural Affairs Office hosted a roundtable on DPRK (North Korea) agriculture at the Westin Chosun hotel in Seoul. Four presentations were delivered by experts focusing on different aspects of the DPRK economy and agriculture. The first presenter, University of Seoul Associate Professor of International Relations Dr. Ji Hwan Hwang, explained how DPRK's transformation in administration influenced foreign policy and the U.S. relationship. The following speakers, Dr. Young Hoon Kim of Korea Rural Economic Institute (KREI), World Food Program (WFP) DPRK Country

Director Dierk Stegen, and Dr. Bernhard Seliger of Hanns Seidel Stiftung held presentations focusing on specifics of DPRK's agricultural situation. The speakers shared their hands-on experiences of witnessing the reality of DPRK's serious agricultural hardships and food shortages. The roundtable demonstrated the vulnerability of agricultural infrastructure in DPRK, and that further investigation and research is required with regard to the national agricultural plan as information is very limited. Despite sensitivities in approaching the issue, the lectures were very informative eye-opening on topics rarely discussed in open forums. At the conclusion of the presentations, audience members posed questions to the panel and engaged in a moderated debate. It was invaluable for the AAO to host the round table which assembled participants from academia, ROK government ministries, other embassies, and State Department colleagues from U.S. embassy Seoul. The second annual DPRK roundtable was a success and everyone enjoyed lunch served with imported U.S. beef!

ATO visits Busan for Market Research

ATO director Kevin Sage-EL and staff conducted an outreach trip to Busan, the second largest city in Korea with a population over 4 million. During the trip, the ATO developed contacts with key importers and distributors in the region. The ATO visited industries including Jinwon Trading (fresh fruits), Busan New Port, Busan Cooperative Fish Market, BEXCO (convention & exhibition center), Shinsegae Department Store (the leading retail store in the region) and Dongyeong Cold Plaza (temperature controlled warehouse for fish & produce). Busan is currently undergoing a major restructuring and is likely to generate bigger consumer demand for imported agricultural products in the coming year. In particular, development of the new port and Free Economic Zone on the western side of the city, followed by a renovation of the old port on the eastern side, as well as commercial, cultural and residential areas. Satellite cities in the vicinity of Busan, including Jinhae and Masan, are also expanding their business/industrial infrastructure in order to link with Busan. As a result, the Busan metropolitan market is expected to attract more importers and distributors of imported agricultural products in the coming year beyond its current focus (mainly fishery and produce). On the other hand, the new Free Economic Zone could diversify Busan's imports even further as it attracts new processors in the future.

Korean Consumption Trend: From Well-being to Healing

The era of “healing” is now on the way following the of “well-being.” The word “healing” is a newly rising that Korean consumers often use in their daily lives the trend of well-being swept society. Healing, as it literally says, means to reach both physical and psychological health. The healing trend notes there are several ways to cure physical and psychological maladies including the consumption of good food. The industry is reacting positively to the trend by promoting “healing foods.” More consumers are looking for organic food and other foods that make physically and psychologically healthy. Food producers are focusing on the health benefits and healing effects of the products they sell through their marketing efforts. As an example, the Cranberry Marketing Committee, with the help of the ATO, is appealing to consumers by advertising health-related benefits and proven research indicators of cranberries. Several other health food producers also pursue this marketing strategy in order to appeal to fatigued people craving for a more beneficial and healthy intake. Lemons and tomatoes are representative fruits known to have detoxifying effects. Not surprisingly, their sales have shown a sharp increase. As such, the healing trend makes for a Korean market that is ripe for US producers and exporters of healthy food products.



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Will Korea-China FTA Come True?



The Korean government’s stance on the economy has changed from protective to more liberal in just a few decades. President Park’s administration promotes the opening of the market for wider opportunities. Currently, the conversation on Korea and China’s economic partnership is now on the table in the form of a free trade agreement. As of September, the first round of talks on the Korea-China FTA commenced after 16 months of unofficial discussions. With regard to agricultural products, due to their highly sensitive nature, only 10 percent of agricultural products are considered for inclusion. In other words, agricultural products are

protected - by the ROK government in order to protect the local farm industry from sudden exposure to liberalization in the agricultural sector.

If we look at the negative aspect of the upcoming FTA, Korean agricultural products can be threatened due to a lack of competitiveness. The government is especially cautious about protecting domestically produced agricultural products from possible price challenges. In fact, it is estimated that the number of livestock products and fresh fruits that had competitive advantage decreased from 36.3% to 26.4%. As China recently became one of the major agricultural trade partners with Korea, several precautionary measures are being considered by the government in order to protect the domestic market. The Korean economic partnership with China will affect the American exporters as well since U.S. and China are

both important trade partners of Korea. Especially, Chinese agricultural products are very cheap in price compared to U.S. imported products due to large supply volume and low labor costs and transportation. Thus, competitiveness in price might draw more consumers to buy Chinese imported agricultural products instead of other imported ones. However, distrust on Chinese products' food safety still prevails in Korea and it will continuously influence consumer behavior in terms of preference. Also, it is expected to take a long period of time before the Korea-China FTA is finally approved and implemented.