



FOOD MILES/SUSTAINABILITY MARKET INTELLIGENCE

January 2009 Quarterly Report

The growing importance of sustainability as a market driver in some of New Zealand's food and beverage export markets has led the Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise to prepare a quarterly report for business people highlighting trends and issues in key markets.

SOUTH KOREA

IN SUM:

- Food safety continues to be the primary influence on consumer purchasing. Organic and "wellbeing" products are also growing steadily in popularity.
- The Korean Standards Agency has introduced a LOHAS certification for food products.
- Country of origin labelling for beef became a requirement for all retail outlets and restaurants in 2008 and the government is to establish new labelling rules for imported food ingredients and for processed and semi-processed foods.
- Carbon labels will be trialled on 10 products in February 2009, including tofu, cola and ready-cooked rice.
- Efforts have been made to harmonise the requirements for imported and domestically produced organic food but concerns are still being expressed by stakeholders about the viability of these new standards.
- There was a significant increase in the amount of genetically modified (GM) food product imported during 2008 and this has led Korean Food and Drug Agency to propose new GM labelling standards.

CONSUMER TRENDS

Consumer influences

The primary driver for consumer trends since the last quarterly report for Korea (April 2008) continues to be food safety. During the height of the beef crisis, supermarket surveys showed a spike in sales of meat alternatives such as tofu. Similarly, during the Chinese melamine scandal, sales of organic dairy products jumped significantly.

Concern for the environment is still not a major driver of consumer behaviour in Korea. While organic and "wellbeing" products continue to grow in popularity, these tend to be purchased for personal or family-health-related reasons, rather than for the environment.

LOHAS (Lifestyles of Health and Sustainability) on the other hand, continues to be a major influence on consumer behaviour. The Korean Chamber of Commerce and

Industry selected LOHAS in a recent report as one of four key words for future consumption trends (others were 'Second Life', 'Digilog', and 'Egonomy').

According to *Consumers KOREA*, Korea's primary consumer protection and information institute, there is no single Korean word which adequately covers the concept of sustainability, despite LOHAS being a popular concept. The institute, which has nevertheless identified sustainability as a priority, has put significant resource into educating the public about how the term relates to consumer choices.

PRIVATE SECTOR ACTIVITY

LOHAS

The LOHAS concept was influential on private sector activity during 2008. The Korean Standards Association (KSA) has introduced a LOHAS certification for food products. This assesses products for their 'environmental friendliness', based on the LOHAS assessment scheme established by the American Natural Marketing Institute. The criteria for certification include: leadership, management philosophy, eco-friendly performance, sustainability and social contributions of the company concerned. Certification lasts one year but can continue after reassessment by KSA auditors. To date, more than 90 products from 59 companies have received LOHAS certification.

The Korea Food Research Institute has also been promoting wellbeing or LOHAS as important factors for new product development. The Institute was established in 1988 to promote healthy food choices by "providing people with wholesome food and by contributing to the improvement of national agriculture, fisheries and food industry through food science and technology". As well as LOHAS, it is also highlighting the ageing population, globalisation and the environment as other key factors to be considered by food manufacturers when developing new products.

GOVERNMENT ACTIVITY

Food safety

Consumer concerns about food safety were a major driver of government activity in the food and beverage sector during 2008. Country of Origin Labelling (COL) for beef became a requirement for all retail outlets and restaurants last year. This will be extended to kimchi, rice, pork and chicken in 2009. However, the regulation has proven difficult to implement, with numerous prosecutions for false labelling.

The need for COL for processed products continues to be widely debated in Korea but there have been no further mandatory requirements since the April 2008 market intelligence report. However, the Ministry of Food, Agriculture, Forestry and Fisheries (MiFAFF) intends to revise the Agricultural Products Quality Control Act to establish new labelling rules for imported food ingredients, and introduce more stringent labelling rules for imported processed and semi-processed food items. Under current regulations, Korean food manufacturers are required to specify the country of origin for ingredients that make up 50 percent or more of the product. If there are no ingredients that make up more than 50 percent, then the top two ingredients must be labelled with the country of origin. Under the new rules, the number of ingredients whose country of origin needs to be specified is likely to be raised.

Carbon labelling

The Korean Ministry of Environment is looking at trialling carbon labels in early 2009. Ten products, including three food products (tofu, cola and ready-cooked rice) have undergone trial certification and are expected to carry carbon footprint information on their packaging from February.

Organics certification

The Korea Organics Association says the organic food market is worth US\$1 billion a year and increases consumption of organic food and beverage products has led to greater government activity in the sector. Currently, organic processed products must be accompanied by a certificate issued by a recognised certification company. This refers to a company either approved by the government of the exporting country or an internationally recognised third party such as the International Federation of Organic Agriculture Movements (IFOAM). Since June 2008, efforts have been made to harmonise the standards for imported and domestically produced organic food, although both domestic and international stakeholders have raised concerns about the viability of these requirements. MiFAFF is still finalising the new certification standards and is expected to make an announcement soon about new requirements for domestic and imported products.

Genetically Modified food labelling

2008 saw a significant rise in the amount of imported Genetically Modified (GM) food products. Low domestic production and soaring international grain prices have forced South Korea to search out lower cost alternatives. In May and June, South Korea, the world's third-largest corn buyer, imported 330,000 tonnes of GM corn for food use. This increase has led the Korean Food and Drug Agency (KFDA) to propose new labelling standards for GM products. According to draft regulations (due to come into force in December 2009), all food companies whose product contain GM material will need to provide appropriate labelling. Products such as soy sauce and cooking oil, which have been exempt until now from GM labelling requirements because of difficulties in verifying the amount of GM material used in the finished product, will also be required to carry the new labels. In response, some food companies have urged KFDA to postpone implementation of the strengthened rules, arguing that such labelling would mislead consumers into believing the GM food items are hazardous to their health.

Obesity

KFDA will be targeting childhood obesity in 2009 with plans to prohibit school cafeterias from selling snacks that contain more per serving than 250 kilocalories, four grams of saturated fat, or 17 grams of sugar. Food products (i.e. meals) that contain an excessive amount of sodium, more than 500 kilocalories or four grams of saturated fat per serving will also be banned from schools.

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