

KOREA- AUSTRALIA

FREE TRADE AGREEMENT



READY-TO-EAT MEALS AND DESSERTS TO KOREA

KAFTA BENEFITS FOR READY- TO-EAT MEALS AND DESSERTS

The Korea-Australia Free Trade Agreement (KAFTA) came into force in December 2014, bringing significant benefits for Australian exporters. When KAFTA is fully implemented, tariffs on 99.7 per cent of exports to Korea will be eliminated. The agreement helps level the playing field for Australian food exporters competing with companies from the US, EU, Chile and the Association of Southeast Asian Nations, which all benefit from existing trade deals with Korea.



This guide provides an overview of a range of ready-to-eat meals such as beef-based frozen meals, pizza or pasta, or frozen desserts such as cakes, pastries and ice-cream. Under KAFTA, the tariff on beef-based packaged meals, burger patties and meat pies will reduce from 57.6 per cent to 52.8 per cent on 1 January 2017 and will be eliminated by 1 January 2028. Stuffed pasta (such as ravioli, tortellini and cannelloni) will reduce from 5.6 per cent to 4.8 per cent on 1 January 2017, to be eliminated by 1 January 2023. The tariff on ice-cream will reduce from 4.5 per cent to 3.4 per cent by 1 January 2017, and will be eliminated by 1 January 2020. The tariff on pastries and cakes will reduce from 6.4 per cent to 5.8 per cent on 1 January 2017, and will be eliminated by 1 January 2028. The tariff on waffles and wafers will reduce from 6.4 per cent to 5.8 per cent on 1 January 2017, and will be eliminated by 1 January 2028.

These tariff cuts help improve Australia's competitiveness and make it an ideal time for exporters to enter Korea. Korean consumers have an appetite for imported premium products, and Australian companies offering high-quality ready-to-eat meals and desserts with distinctive packaging and branding will find a growing market for their goods.

This document provides an overview of the ready-to-eat meal and dessert market in Korea to help Australian companies plan their export strategy. Exporters are encouraged to undertake their own market research and refer to the Free Trade Agreement Portal (ftaportal.dfat.gov.au) developed by the Department of Foreign Affairs and Trade (DFAT) for more information on tariff cuts. Austrade can also provide insights and assistance to support a successful market entry.



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READY-TO-EAT MEALS

Korea imports more than 70 per cent of its food and agriculture products.¹ The market for imported packaged food is rapidly growing and diversifying. Consumer tastes are changing and demand for luxury and high-quality food products is increasing.

In 2015, the market for ready-meals in Korea was worth US\$185.9 million.² In recent years, the popularity of ready-to-eat meals has risen due to an increase in dual-income families. With both parents working, convenient and quick frozen or chilled meals are considered to be better quality than canned food. The size of the average family freezer is increasing to adapt to this trend.

The vast majority of ready-meals are Asian-style meals such as rice cooked with vegetables, meat and sauce. Shelf-stable ready-meals are by far the largest category, followed by chilled ready-meals, prepared salads, frozen meals and frozen pizza. Convenience stores sell triangle-shaped rice cakes (samsung-gimbap) with fillings such as pork wrapped in seaweed, as well as small packs of mixed salad and vegetables. Frozen 'cupban' (stir-fried rice) is popular with students, while porridge is seen as a health food and is served chilled.³

Frozen dumplings, pork cutlets, spring rolls and noodles are readily available in supermarkets alongside rice-based products. Ottogi Foods is the market leader with 18 per cent of the retail market, dominating the curry and 'jjajang' sauce sector with shelf-stable ready-meals. It also leads sales in the ultra-heat treated soup sector, particularly the oxtail soup and beef-bone soup categories. In 2015, Dongwon F&B Co., Ltd accounted for 14 per cent of retail sales with its leading Yangban porridge brand, while CJ CheilJedang owned 8 per cent of the market with its rice-based meals under the Hatban Cupban brand.

Pulmuone is the leader in ready-to-eat salads. Private-label products are also doing well. Austrade's qualitative research in Korean supermarkets found frozen ready-to-eat meals such as Shinsegae's Peacock-branded Mozzarella Salami Pizza, Tomato and Bacon Spicy Spaghetti, Chicken Curry and Naan Bread, Fried Rice with Chicken Teriyaki, and Syrup-Glazed Sweet Potato with Almonds. Emart's Pork Cutlets and Lotte's Pork Patties also appear frequently on supermarket shelves.

Imported ready-to-eat meals come from Italy, Japan, Spain, Denmark, the US and France.⁴ Stuffed-pasta meals including dumplings come from China, Vietnam, Thailand, the US and Italy. Italian-, Chinese- and Korean-style dishes are the most popular types of cuisine in the ready-to-eat market. Austrade's store scan found there were limited international brands and only one or two pasta or pizza brands could be found in certain stores.

A number of retailers are actively sourcing more ready-to-eat meals given there is growing interest in international foods. Austrade's qualitative research of Korean supermarket shelves found examples of imported ready-to-eat meals such as Marfrio Rabas Squid Empanadas (Spain), Hatting Sandwich (Denmark), Eat Better Mozzarella & Basil Pesto Pizza (Italy) and contract-packed brands for local retailers such as Emart's Peacock brand of Margherita Pizza (Val Pizza from Italy).

READY-TO-EAT DESSERTS

In 2015, the ice-cream market in Korea was worth US\$1,842.5 million.⁵ Lotte Confectionery (30 per cent retail market share), Binggrae Co (27 per cent) and Haitai Confectionery (19 per cent) are the leading manufacturers⁶; however, there is limited local fresh milk for local manufacturers to invest in manufacturing dairy products. As a result, retailers tend to prioritise sourcing international ice-cream. For example, Emart, one of Korea's biggest hypermarket chains, has at least three kinds of ice-cream directly sourced from Australia and New Zealand.

Lotte has focused on super-premium ice-cream and premium desserts, introducing macaron and wafer ice-creams under the Buon Gelato brand, and Malrang Cow based on its popular soft candy brand. In 1992, Binggrae expanded its famous Melona (melon) brand to include strawberry, banana and mango flavours. Haitai Confectionery introduced a honey ice flavour (based on the honey butter potato chip craze that swept Korea in past years) and celebrated the 45th anniversary of the Haitai Bravo Ice Cream Cone.

Vanilla, strawberry and chocolate are the most popular ice-cream flavours, followed by coffee and niche fruit-flavoured offerings. Real cheesecake with ice-cream is also popular with adults. Frozen yoghurt, in particular Korea Yakult Corp's Frozen Seven brand, has become popular in recent years. Leading brands of take-home ice-cream include Together (Binggrae), Weezle (Lotte), Natuur (Lotte), Cled'or (Binggrae), Goo (Lotte) and Best One (Haitai).

France is the lead exporter of ice-cream to Korea (US\$14 million), followed by the US (US\$3.6 million), Australia (US\$2.1 million) and Spain (US\$1.8 million), with total exports worth US\$26.4 million in 2015.⁷ There is potential for new ice-cream products and Australian brands are popular because Korean consumers perceive them to be high-quality and unique. Iconic brands such as Häagen-Dazs and Hershey are also very popular. Other frozen dessert brands on display included Kraft's Philadelphia Cheese Cake (US), Dolceria Alba Tiramisu Cake (Italy), Mag'm Macarons (France), J&J Snack Food Corp Tio Pepe's Crispy Cinnamon Waffle (US) and Poppie's Mini Eclairs (US).

HOW TO USE KAFTA WHEN EXPORTING PRODUCTS TO KOREA

Preferential KAFTA tariffs are not applied automatically in Korea; follow the steps below to take advantage of KAFTA.

1. Read through the DFAT [Guide to using KAFTA to export and import goods](#) and the Austrade *Food and Beverage Market Entry Guide: Opportunities under the Korea-Australia Free Trade Agreement*.
2. Identify the correct HS codes for your product and cross-check with your freight forwarder.
3. Search the DFAT Free Trade Agreement Portal (ftaportal.dfat.gov.au) to check how your products will be treated under KAFTA in terms of tariff reduction, any tariff quota, and that they meet the criteria for 'Australian Origin'.
4. Prior to signing any contract with an importer or partner, you can cross-check your tariff reduction with them and seek legal advice if required. If necessary,

cross-check the HS codes and get an advanced ruling from Korea Customs Service (customs.go.kr) with the assistance of your importer.

5. Prepare FTA certification of origin for your products. You must have origin documents to claim FTA benefits.

KAFTA allows Australian exporters to self-certify the origin of their goods by preparing an Origin Certification Document (OCD).

You can also certify origin by obtaining a Certificate of Origin (COO) from the Australian Chamber of Commerce and Industry (ACCI) and Australian Industry Group (AIG), the accredited certifiers in Australia.

ACCI: acci.asn.au

AIG: aigroup.com.au

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7. International Trade Centre, Trade Map, trade statistics for international business development, 2015.

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