

KOREA- AUSTRALIA

FREE TRADE AGREEMENT



SAUCES, DRESSINGS AND CONDIMENTS TO KOREA

KAFTA BENEFITS FOR SAUCES, DRESSINGS AND CONDIMENTS

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.



Under KAFTA, the tariff on both tomato ketchup and prepared mustard will reduce from 4.5 per cent to 3.4 per cent on 1 January 2017, and will be eliminated by 1 January 2020. The tariff on tomato sauces will reduce from 36 per cent to 33 per cent on 1 January 2017, and will be eliminated by 1 January 2028.

The tariff of 3.2 per cent on soy sauce will reduce to 1.6 per cent on 1 January 2017 and will be eliminated by 1 January 2018. Mayonnaise is tariff-free, while the tariff on brewery vinegar reduces to 1.6 per cent on 1 January 2017 and will be eliminated by 1 January 2020. For other vinegars, the tariff will reduce from 4.5 per cent to 3.4 per cent on 1 January 2017 and will be eliminated by 1 January 2020. Tariffs on salad dressings will vary depending on the makeup of ingredients such as vinegar or mayonnaise.

Tariffs on jam will reduce from 24 per cent to 22 per cent on 1 January 2017, and will be eliminated by 1 January 2028. Peanut butter will reduce from 35 per cent to 30 per cent on 1 January 2017, to reach zero by 1 January 2023.

The 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 sauces, dressings and condiments with distinctive packaging and branding will find a growing market for their goods.

This document provides an overview of the sauce, dressing and condiment 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.



Australian Government

Austrade



MARKET SNAPSHOT

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.

The Korean sauce, dressing and condiment market was worth US\$1,430.7 million in 2015.² There has been an increase in demand for Western-style cooking sauces and dressings. While traditional Korean sauces have seen a decline, wet cooking sauces, salad dressings, liquid stock and pasta sauce are all growth categories. Condiments such as jams, spreads and honey are being increasingly eaten with toast for breakfast.

CJ CheilJedang is the leading supplier with a 24 per cent share of the Korean sauce, dressing and condiment market (65 per cent share of bouillon, 30 per cent of salad dressing, 23 per cent of pasta sauces).³ Daesang Corp is another major player with 19 per cent market share (44 per cent share of oyster sauces). Daesang FNF Corp specialises in kimchi-type products and has a 13.3 per cent share of the market. Ottogi Co., Ltd, with 13 per cent market share, is a leader in ketchup (88 per cent), mayonnaise (83 per cent) and dry sauces (60 per cent). Sempio Foods, with 9 per cent market share, is the leader in soy sauces (60 per cent), and Yondu is a leader in liquid stock (57 per cent).

In 2015, Korea imported US\$205 million worth of sauces, dressings and condiments from countries such as China, Japan, the US, Thailand, Hong Kong, Italy, New Zealand and Australia.⁴ Tomato sauces and ketchup come largely from the US, China, Spain and Italy.



Dressings are very diverse, including tomato-based sauces, vinaigrettes, mustards and steak sauces from international brands and unique fruit-based dressings from local manufacturers. There is a focus in recent years on low-fat dressings, and locally produced tomato sauces can be sweeter than those imported. Australians love gravy over their roast and chips; however, gravy isn't well understood in Korea.

The local and imported brands listed below are some of the products that can be found in Korean supermarkets.

Sauces

- ▶ **Local brands:** Beksul (CJ CheilJedang), Chungjungone (Daesang Corp), Ottogi (Ottogi Co., Ltd), Sempio (Sempio Foods)
- ▶ **Imported brands:** Lee Kum Kee (HK), Heinz (US), Campbell's (US), Hunt's (US), Kikkoman (Japan), Fountain (Australia), A1 (UK/US)

Dressings

- ▶ **Local brands:** Pulmuone (Pulmuone Co., Ltd), Chungjungone (Daesang Corp), Ottogi (Ottogi Co., Ltd), VIPS (CJ CheilJedang), CJ (CJ CheilJedang), Fontana (Sempio Foods)
- ▶ **Imported brands:** Morn (Thailand), Kühne (Germany)

Condiments

- ▶ **Local brands:** Dashida (CJ CheilJedang), Miwon (Daesang Corp), Sempio (Sempio Foods), Ottogi (Ottogi Co., Ltd)
- ▶ **Imported brands:** McCormick (US), ISFI (Belgium)

Jams/spreads

- ▶ **Local brands:** Beksul (CJ CheilJedang), Chungjungone (Daesang Corp), Ottogi (Ottogi Co., Ltd), Bokumjari (Bokumjari Co., Ltd)
- ▶ **Imported brands:** Waitrose (UK), Skippy (US), Ligo (US), Nutella (Italy), Belgid'Or (Belgium), St Dalfour (France), Zuegg (Italy), Bonne Maman (France), SuperJam (UK), Mackays (UK)

Honey is imported in bulk and packaged locally unless it is a familiar international brand. Canadian maple syrup is well known in the Korean market.

Sources:

1. *Yonhap News*, 8 September 2014.
2. Euromonitor Data 2015.
3. Euromonitor, *Sauces, Dressings and Condiments*, November 2015.
4. International Trade Centre, Trade Map, Trade statistics for international business development, 2015.

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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August 2016

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