

KOREA- AUSTRALIA

FREE TRADE AGREEMENT



SNACKFOODS TO KOREA

KAFTA BENEFITS FOR SNACKFOODS (CRISPS, NUTS, DRIED FRUIT, BARS)

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 the snackfoods that benefit from tariff reductions under KAFTA. The tariff on corn chips will reduce from 3 per cent to 2.3 per cent on 1 January 2017, and will be eliminated by 1 January 2020. The tariff on packaged potato crisps will reduce from 16 per cent to 14.6 per cent on 1 January 2017, and will be eliminated by 1 January 2028.

The tariff on shelled almonds was eliminated on entry into force. The tariff for both in-shell and shelled macadamias will be eliminated by 1 January 2018. The tariff on dried fruit such as dried pure banana will reduce from 24 per cent to 22 per cent on 1 January 2017, and will be eliminated by 1 January 2028. Other processed fruit such as apricot will reduce from 18 per cent to 9 per cent on 1 January 2017, and will be eliminated by 1 January 2018. The tariff on processed pineapples and pears will reduce from 31.5 per cent to 27 per cent on 1 January 2017, and will be eliminated by 1 January 2023. The tariff for sultanas and raisins was eliminated on entry into force.

The tariff on snack-bars will be determined by the largest ingredient in the total mix of the bar, for example, cereal, processed fruit or nuts. If the bar is a mix of nuts and fruit, it will attract a tariff of 45 per cent with no reductions under the agreement.

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 snackfoods with distinctive packaging and branding will find a growing market for their goods.



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This document provides an overview of the snackfoods 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.

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.

SAVOURY SNACKS AND CRISPS

Nongshim, Orion, Crown, Lotte Confectionery and Haitai are the top five Korean snack manufacturers. Extruded snacks is the largest category, followed by chips (crisps), popcorn, nuts and fruit snacks. Among extruded snacks, wheat snacks hold 40 per cent market share, followed by corn snacks (35 per cent). Potato snacks (excluding crisps) account for 10 per cent of the market. Nongshim Co., Ltd is the leading extruded snack manufacturer with 30 per cent of the market, and Orion Corp is the leader in crisps, with Poca Chips.

Targeting local tastes is important. Sweeter-flavoured extruded snacks and crisps have gained popularity over savoury products in recent years. For example, in 2015 demand for honey butter crisps outstripped supply, with consumers willing to wait outside convenience stores overnight.² In 2015, manufacturers introduced new flavours of extruded snacks such as Honey Tong Ton Apple (Haitai Confectionery & Foods), Poca Chips Lime Pepper (Orion Corp), and Potato Crisps with Banana (Lotte Confectionery).

Saewookkang, a shrimp-flavoured snack, had been the top-seller prior to the honey butter craze, and Pocha Chips' original and onion-flavoured crisps were ranked fifth and second respectively in sales in 2014. Private-label chips have come onto the market, including Peacock (Shinsegae Department Store brand). Packaged potato crisps exports to Korea primarily come from New Zealand, the US, Europe and Malaysia. Austrade qualitative research found that international brands, with the exception of Frito Lay and Pringles, can usually only be found in department stores. These brands include Tyrrell's (UK), Convivial Yorkshire Crisps (UK) and cheaper options such as Jaker (Malaysia).

Hiking is a popular recreational activity and snackfoods are popular with hikers as they are shelf-stable and can last the journey. Snacks include beef jerky, dried fruit, snack bars and nuts, sometimes accompanied by soju (a traditional distilled beverage containing ethanol and water) and beer.

SNACK-NUTS

The snack-nut market in Korea was worth US\$51 million in 2015.³ The US is the leading exporter of nuts to Korea, followed by India, Chile, Turkey and Australia. Unroasted nuts have a tariff advantage under KAFTA, so Koreans prefer to import raw products and process them in-market. The majority of nut products are locally packaged. While traditionally targeted at beer drinkers, there has been greater awareness of the health benefits of nuts, which are now popular with young females. More single-portion options are becoming available to cater to this market (mostly via online and home shopping). CJ CheilJedang has the largest share of the snack-nut market.

FRUIT SNACKS

Tropical processed fruit exports to Korea come from South East Asian countries such as the Philippines, Thailand, Vietnam and Indonesia, and other fruit from countries like the US and China. Fruit snacks are increasing in popularity; however, the range of fruit can be limited. Mango and banana are very popular, but not necessarily considered premium. There may be market demand for more premium processed snacks offering a broader range of fruit. Popular brands include 7D from the Philippines and Danielle, which uses bananas from Thailand but is manufactured in the US. Dried vegetable snacks such as sweet potatoes and pumpkin are also increasing in popularity.

SNACK-BARS

The Korean snack-bar market was worth US\$42.3 million in 2015.⁴ Nut and cereal bars are still largely made from cereal-type products and marketed as a healthy snack. Gourmet snack-bars are not well understood as a category but may realise greater market penetration and awareness in the future as tariffs reduce. Orion Corp and Haitai Confectionery & Foods are the market leaders.⁵ Dr You (Orion) is a well-known health bar, as is Calorie Balance by Crown Confectionery. Exports to Korea of cereal-based products come from the US, China, UK, Belgium and Germany.

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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Sources:

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2. *Sweet and Savoury Snacks in South Korea*, Euromonitor International, November 2015.
3. Euromonitor Data 2015.
4. International Trade Centre, Trade Map, Trade statistics for international business development, 2015.
5. *Biscuits and Snack Bars in South Korea*, Euromonitor International, October 2015.

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