

## Market Opportunities for Seafood in South Korea

2007 State of Maine Trade Mission to South Korea, Oct. 27 – Nov. 4



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### Economic Overview

#### South Korea:

Gross Domestic Product (GDP) in US dollars:	\$897.4 billion (2006)
GDP per capita in US dollars:	\$24,500
Real GDP growth rate:	4.8%
Inflation:	2.2%
Unemployment:	3.3%

Over the past three decades South Korea has experienced dramatic economic growth. Per capita GNP, only \$100 in 1963, exceeded \$16,000 in 2005 and today, Korea is the eleventh largest economy in the world. South Korea's shift towards a more market oriented economic model and financial reforms have helped the country rebound from recent financial instability and sustain growth in recent years. Korea is the United States' seventh largest trading partner and the countries have recently negotiated a Free Trade Agreement.<sup>1</sup> The Free Trade Agreement (FTA) is the world's third largest trade pact next to the EU and NAFTA. Once ratified, the FTA will eliminate more than ninety percent of the tariffs within the next three years. Exports to Korea

<sup>1</sup> The CIA World Factbook.

have more than tripled between 2001 and 2006. Korea's economy has shifted from a government directed investment model to a market-oriented one. Economic growth has moderated to about 4-5%. Overall Korea's economy has had moderate inflation, low unemployment, an export surplus, and an even distribution of income.<sup>2</sup> With a population of more than 48 million, a fully industrialized economy, and high personal income, its economy is expected to grow 4.5% to 5% annually over the next few years.

## Market for Seafood in South Korea

Out of the total Maine exports to South Korea, seafood is ranked fifth. Maine's exports of fish, crustaceans, and aquatic invertebrates have a growth rate of 47 percent over the past five years. The percentage of Maine seafood products exported from 2004 to 2005 had a dramatic 73 percent increase. Although statistics show a slight decrease from 2005 to 2006, exports remain high. Korea's imports are expected to continue to exceed exports, due to Korea's depletion of fish resources, ensuring that Korea will remain an important market for U.S. seafood suppliers. In 2005 Korean imports exceeded its exports of seafood by \$1.2 billion.<sup>3</sup>

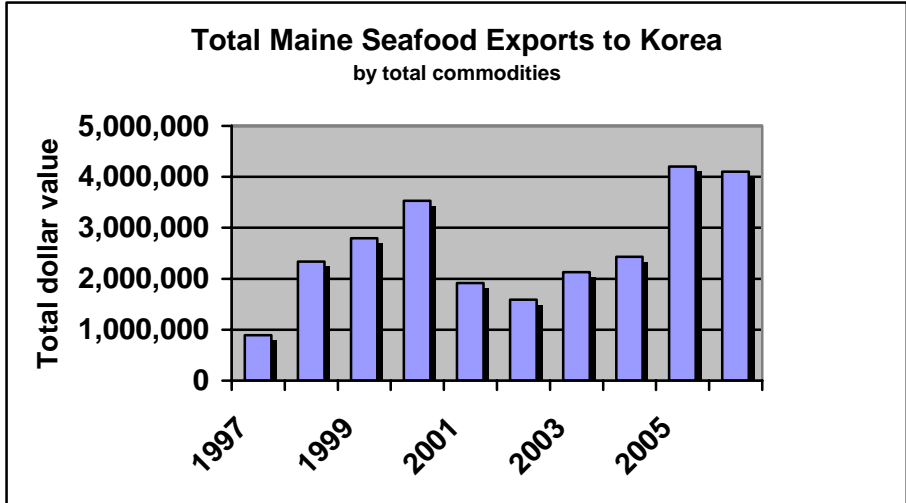
### Maine Seafood Exports to South Korea

Rank	Code	Description	ANNUAL 2004	ANNUAL 2005	ANNUAL 2006	%2004-2005	%2005-2006
		<b>TOTAL SELECTED COMMODITIES</b>	2,433,382.	4,204,349.	4,099,924.	72.78	-2.48
1	<a href="#">0306</a>	CRUSTCNS LVE FRSH ETC, CKD ETC.; FLRS MLS H CNSUMP	2,170,174.	3,297,774.	3,096,690.	51.96	-6.1
2	<a href="#">0307</a>	MOLLUSKS & AQUA INVERT NESOI, LVE ETC.; FLOURS ETC	0	0	971,319.	0.nan	0.inf
3	<a href="#">0302</a>	FISH, FRESH OR CHILLED (NO FILLETS OR OTHER MEAT)	0	306,386.	17,394.	0.inf	-94.32
4	<a href="#">0305</a>	FISH, DRIED, SALTED ETC, SMOKED ETC; ED FISH MEAL	263,208.	479,391.	14,521.	82.13	-96.97
5	<a href="#">0301</a>	FISH, LIVE	0	110,900.	0	0.inf	-100
6	<a href="#">0303</a>	FISH, FROZEN (NO FISH FILLETS OR OTHER FISH MEAT)	0	9,898.	0	0.inf	-100
7	<a href="#">0304</a>	FISH FILLETS & OTH FISH MEAT, FRESH, CHILL OR FROZ	0	0	0	0.nan	0.nan

Source: WISERTrade: <http://www.wisertrade.org>, data from U.S. Census Bureau Foreign, Trade Division.

<sup>2</sup> The U.S. Department of Commerce's Country Commercial Guide 2007.

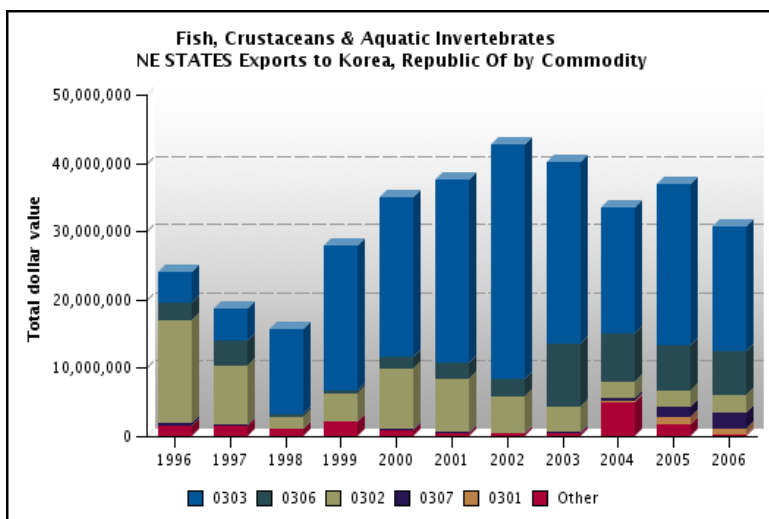
<sup>3</sup> The U.S. Census Bureau Foreign, Trade Division.



From 1997 to 2006 Maine exports to Korea have increased by \$3.2 million. Maine exports to Korea include:

- Crustaceans (HS 0306 whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; crustaceans, in shell, cooked by steaming or by boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets of crustaceans, fit for human consumption)
- Mollusks (HS 0307 whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; aquatic invertebrates other than crustaceans and mollusks, live, fresh, chilled, frozen, dried, salted or in brine; flours, meals and pellets of aquatic invertebrates other than crustaceans, fit for human consumption)
- Fish, fresh or chilled, excluding fish fillets and other fish meat (HS 0302)
- Fish, dried, salted or in brine; smoked fish, (HS 0305 whether or not cooked before or during the smoking process; flours, meals and pellets of fish, fit for human consumption)

### New England Exports of Fish, Crustaceans & Aquatic Invertebrates to Korea



Rank	Code	Description	ANNUAL 2004	ANNUAL 2005	ANNUAL 2006	%2004-2005	%2005-2006
		<b>TOTAL SELECTED COMMODITIES</b>	27,205,215.	27,089,614.	21,926,058.	-0.42	-19.06
1	<a href="#">0303</a>	FISH, FROZEN (NO FISH FILLETS OR OTHER FISH MEAT)	13,402,860.	14,908,258.	11,034,723.	11.23	-25.98
2	<a href="#">0306</a>	CRUSTCNS LVE FRSH ETC, CKD ETC.; FLRS MLS H CNSUMP	6,709,229.	6,573,077.	6,083,347.	-2.03	-7.45
3	<a href="#">0307</a>	MOLLUSCS & AQUA INVERT NESOI, LVE ETC.; FLOURS ETC	296,556.	1,394,006.	2,133,574.	370.07	53.05
4	<a href="#">0302</a>	FISH, FRESH OR CHILLED (NO FILLETS OR OTHER MEAT)	1,666,847.	1,565,518.	1,569,913.	-6.08	0.28
5	<a href="#">0301</a>	FISH, LIVE	218,115.	1,204,764.	995,630.	452.35	-17.36
6	<a href="#">0304</a>	FISH FILLETS & OTH FISH MEAT, FRESH, CHILL OR FROZ	4,648,400.	964,600.	94,350.	-79.25	-90.22
7	<a href="#">0305</a>	FISH, DRIED, SALTED ETC, SMOKED ETC; ED FISH	263,208.	479,391.	14,521.	82.13	-96.97

Source: WISERTrade: <http://www.wisertrade.org>, data from U.S. Census Bureau Foreign, Trade Division.

Korea is not only importing fish, crustaceans, and aquatic invertebrates from Maine, but from all New England states. New England has well-established trade relations with Korea. Since 2000 the overall exports of seafood has had an average gross of \$26 million. New England's top exports of seafood are frozen fish, not including fish fillets or other fish meat, and crustaceans.

Korea's imports of crustaceans from Canada have also shown the increasing demand for seafood in the Korean market, mainly fresh lobsters (*homarus*) and frozen shrimps and prawns.

### Canada's Crustaceans Exports to Korea

Rank	Code	Description	ANNUAL 2004	ANNUAL 2005	ANNUAL 2006
		<b>TOTAL SELECTED COMMODITIES</b>	18,163,087.	16,924,396.	19,375,722.
1	<a href="#">030622</a>	LOBSTERS, LIVE, FRESH,CH, DRIED, SALTD OR IN BRINE	11,157,386.	10,466,049.	10,515,746.
2	<a href="#">030613</a>	SHRIMPS AND PRAWNS, INCLUDING IN SHELL, FROZEN	3,495,431.	5,122,794.	5,418,004.
3	<a href="#">030612</a>	LOBSTERS, INCLUDING IN SHELL, FROZEN	1,340,971.	1,009,490.	3,164,225.
4	<a href="#">030614</a>	CRABS, INCLUDING IN SHELL, FROZEN	2,159,709.	169,734.	277,747.
5	<a href="#">030629</a>	CRUSTCNS NESOI LVE/FR/CHL/DRY/SLTD/BRN FLRS H CNSM	0	0	0
6	<a href="#">030624</a>	CRABS, RAW (LIVE ETC), COOKED (STM ETC) NOT FROZEN	9,590.	0	0
7	<a href="#">030611</a>	ROCK LOBSTER AND OTHER SEA CRAWFISH, FROZEN	0	156,329.	0

Source: WISERTrade: <http://www.wisertrade.org>, data from U.S. Census Bureau Foreign, Trade Division.

## Canadian Frozen Lobsters Exported to Korea

Rank	Code	Description	ANNUAL 2004	ANNUAL 2005	ANNUAL 2006
<b>TOTAL SELECTED COMMODITIES</b>			1,340,971.	1,009,490.	3,164,225.
1	<a href="#">0306129</a>	Lobsters, (Homarus spp), nes, frozen, in shell, including boiled in shell	722,621.	324,433.	2,754,836.
2	<a href="#">0306121</a>	Lobsters in brine, (Homarus spp), frozen, in shell, including boiled in shell	618,350.	685,057.	409,389.

Korea's expansive imports of seafood from Canada and New England prove that increased opportunities exist for Maine. Overall in 2006 Canada's exports of live lobster amounted to \$10.5 million, with frozen lobster at \$3.1 million. New England exports of live Lobster to Korea reached \$5.3 million and frozen lobster exported to Korea was \$318,420.

## Korea's Seafood Export

Korean seafood production increased to 2.71 million metric tons in 2005, up 8 percent from the 2.52 million metric tons in 2004 mainly due to advances in shallow-sea aquaculture. Although these numbers are high, seafood production has in fact decreased compared to several years ago when the average annual production was over 3 million metric tons.<sup>4</sup>

It is expected that Korean domestic fishery will not increase in the future due to sharp reductions in fish resources in surrounding waters and the enforcement of the Exclusive Economic Zones by Korea's neighboring countries. There has been a decrease in fishery workers and fishing vessels over the past five years due to the lack of fish resources. The Korean government has cut back the Korean fishing fleet as well. This has created additional opportunities for U.S. seafood suppliers to increase trade.<sup>5</sup>

**Table: U.S Exports of Fish, Crustaceans & Aquatic Invertebrates**

Rank	Code	Description	ANNUAL 2004	ANNUAL 2005	ANNUAL 2006	%2004-2005	%2005-2006
<b>TOTAL ALL PARTNER COUNTRIES</b>			3,307,478,001.	3,668,900,468.	3,840,243,290.	10.93	4.67
1	<a href="#">JPN</a>	Japan	1,047,182,074.	1,089,349,917.	929,218,815.	4.03	-14.70
2	<a href="#">CAN</a>	Canada	630,459,854.	679,410,905.	709,113,136.	7.76	4.37
3	<a href="#">CHN</a>	China (Mainland)	252,749,597.	463,403,110.	439,505,002.	37.05	26.88
4	<a href="#">KOR</a>	<b>Korea, Republic Of</b>	338,690,300.	390,536,541.	<b>404,912,315.</b>	15.31	3.68
5	<a href="#">DEU</a>	Germany	185,112,373.	205,054,113.	260,485,707.	10.77	27.03

Source: WISERTrade: <http://www.wisertrade.org>, data from U.S. Census Bureau Foreign, Trade Division.

Korea is the fourth largest market for U.S exports of fish, crustaceans and aquatic invertebrates and has been steadily increasing. Based on Korea's decrease in supply of domestic fish resources, it is likely that Korea will increase its dependence on seafood imports.

<sup>4</sup> USDA Foreign Agricultural Service, South Korea Fishery Products Annual 2006.

<sup>5</sup> USDA Foreign Agricultural Service, South Korea Fishery Products Annual 2006.

## Korean Seafood Imports

U.S. seafood is considered high quality and is thus higher in price compared to competitors. The major U.S. imports to Korea are pollack surimi, monkfish, Alaskan Pollack roes, and cod. According to the USDA Foreign Agricultural Service, U.S. imports to Korea made up almost 25 percent of the total fish imported in 2005.

**Table: Major Species of Fish Imported from the U.S. in 2005 (US\$ 1,000)**

Fish Species	From U.S.	From the World	% from U.S.
Pollock surimi, frozen	56,034	56,127	99.8 %
Monkfish, frozen	24,288	57,731	42.1%
Roes of Pollock, frozen	9,907	36,544	27.1%
Other surimi, frozen	9,501	89,824	10.6%
Cod, frozen	5,029	18,654	27.0%
Hagfish, frozen	4,281	7,430	57.6%
Other roes, frozen	3,939	15,830	24.9%
Other flat fish, frozen	3,634	22,815	15.9%
Lobsters, other than frozen	3,415	19,606	17.4%
Skate, frozen	2,385	29,250	8.2%
Ray, frozen	2,310	16,792	13.8%
Alaska Pollack, frozen	2,227	141,603	2.0%
Salmon, canned	1,900	2,348	81.0%
Abductors of shell fish, frozen	1,464	5,824	25.1%
Atka mackerel, frozen	1,381	16,280	8.5%
Rock fish, frozen	1,330	8,389	15.9%
Prepared sea cucumber	1,287	6,445	20.0%
Sardines, frozen	1,147	5,103	22.5%
Monkfish, fresh	948	2,371	40.0%
Rock lobster & other sea crawfish, frozen	768	4,367	17.6%
Sable fish, frozen	550	652	84.4%
Plaice, frozen	549	1,301	42.2%
Total	138,274	565,286	24.5%

Source: Statistical Year Book of Foreign Trade 2005

From the major species imported from the U.S., Maine has contributed by providing quantities of pollock, monkfish, cod, lobsters, skate, salmon, sea cucumber, and monkfish, along with rock lobster and other sea crawfish.

## Consumption

According to the “Monthly Statistics of Korea” (August 2006 Issue) the average monthly household expenditure in urban areas of fishery products was \$34 in 2005. The fish species that Koreans consumed most were Alaskan Pollack (383,000 tons), squid (266,000 tons), mackerel (180,000 tons), hair tail (105,000 tons) and yellow corvina (83,000 tons) in 2005. In order to expand domestic demand, the Korean seafood market has made efforts to diversify fish products, improve quality, and develop processing technology.<sup>6</sup>

Koreans prefer live fish to fresh fish, and fresh fish to frozen fish. Korean consumers believe that fresh fish tastes better than frozen fish after being cooked. Therefore, the price for fresh fish is higher than for frozen fish. However, now that more and more women are in the workforce there has been an increasing demand at supermarkets for food that has been precooked, prepared and preserved.

Food safety is another factor that impacts Koreans consumption of seafood. If a disease is detected in fishery products or chemical residues in aqua-cultured seafood is widely reported, it will cause a temporary drop in local consumption.

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## US Commercial Contacts in South Korea

American Embassy in Seoul  
U.S. Commercial Service  
32, Sejong-ro, Jongno-gu  
Seoul 110-710  
**Phone:** 82-2-397-4535  
**Fax:** 82-2-739-1628  
**Email:** [Seoul.Office.Box@mail.doc.gov](mailto:Seoul.Office.Box@mail.doc.gov)

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## Trade Shows

### **Busan International Seafood and Fisheries Expo**

November 15th-18th 2007  
8,836 Attendees, 300 Exhibitors from 25 countries  
Busan, South Korea  
<http://busanseafoodexpo.com/eng/index.asp>

### **China Fisheries and Seafood Expo**

November 6th-8th 2007  
18,000 Attendees, 738 Exhibitors from 43 countries  
Dalian, China  
<http://www.chinaseafoodexpo.com/>

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<sup>6</sup> USDA Foreign Agricultural Service, South Korea Fishery Products Annual 2006.