

KOREA MARKET REPORT: SEAFOOD



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NEW ZEALAND EMBASSY SEOUL
DECEMBER 2016

Seafood and the Korea-NZ FTA: Korean Love for Seafood Presents Real Opportunity for New Zealand

Korea has the highest per-capita seafood consumption in the world. With the popularity of seafood restaurants continuing to grow, there is substantial demand for seafood that cannot be met in the domestic market.

Korea represents an exciting market for New Zealand seafood producers. The Korea-NZ FTA will see benefits for a number of seafood products and New Zealand's clean environmental image is an asset for our exporters in the very competitive Korean market.

The Korean Market

It is likely that the market for seafood will continue to expand. From being a net exporter of seafood until 2000, Korea now imports almost three times as much as it exports, due to limited domestic supply and increased demand. In 2015, Korea exported \$2.1 billion of seafood, while imports reached \$6 billion. The largest seafood-supplying country to Korea is China, with over \$1.5 billion of exports last year. Other major suppliers of fishery products to break the \$100 million mark are Russia, Viet Nam, United States, Norway, Thailand, Japan, Taiwan, Peru, and Chile. These top ten supplier countries accounted for about 81% of total Korean seafood imports by value.

New Zealand Trade with Korea

New Zealand's seafood exports to Korea totalled around NZ\$22 million in 2015, which was less than 1.5% of Korea's total seafood imports for that year. This dollar figure, however, excludes the value of seafood caught in New Zealand's Exclusive Economic Zone (EEZ) by Korea's distant water fishing vessels under charter. Korea records these as exports to New Zealand, rather than imports, and these were valued at \$68 million in 2015. Taken collectively, Korea's seafood market was worth \$88 million to New Zealand in 2015, ranking it within our top five seafood export markets.

Frozen fish accounts for around \$72 million of overall seafood exports to Korea. In 2015, this included around \$17 million worth of hake, \$15 million of hoki, \$14 million of squid, and \$2.6 million of fish livers and roe. Mussels are the most significant item in the non-charter vessel trade. New Zealand is the dominant supplier of mussels to the Korean market, with our \$14 million worth of exports in 2015 making up 61% market share - ahead of China (25%) and Chile (12%). New Zealand's greenshell mussels are distinct from other varieties available in Korea in that they have more shellfish meat per mussel and more consistent quality than Chinese and locally-produced blackshell mussels and Chile's blueshell mussels.

Korean Market Trends and Opportunities

On average, each Korean eats over 54kg annually of marine products (36.5kg of fishery products and shellfish, plus 17.5kg of seaweed). Demand is expected to continue to grow over time, although high seafood prices have kept Korean consumption in check in recent years.

Korean people eat seafood steamed, fried, boiled with spices, and raw as sushi or sashimi. Fresh or chilled fish commands a substantial price premium over frozen fish. Seoul's Noryangjin Seafood Wholesale Market houses 180 wholesalers and 650 retailers that collectively trade around 300 tonnes of seafood every day with a live fish

auction taking place at 3am. A large seafood market also exists in the second-biggest city of Busan. Many seafood restaurants have water tanks with live fish for consumers to choose from. While family restaurant franchises offering seafood buffets have sprung up in Korea in the past five years, many of them are owned by large retail groups and feature both local and imported seafood on the menu.

The major seafood species that Koreans consume are Alaska pollack, mackerel, squid, hairtail and yellow corvina. Anchovy, shrimp, tuna, flat fish, monk fish, eel, and cod are also popular. Tastes are expanding, however. The Korean market for farmed fish like salmon, for example, has increased following Korea's 2006 free trade agreement with the European Free Trade Association (EFTA) which gave tariff preferences to fish from Norway.

Salmon is even making an impact in the canned seafood market, with growing demand for convenient pre-cooked, ready-made, and preserved food to cater for the increasing number of households where no-one cooks at home. In 2013, CJ Corporation launched a new canned product that uses natural salmon from Alaska. Despite the can's price being more than twice as high as regular canned tunas, the product made more than \$13 million of sales in the first year and prompted competing canneries, Dongwon and Sajo, to also introduce their own canned salmon products.

Korea-NZ FTA Outcomes

The Korea-New Zealand FTA provided some wins for New Zealand's seafood exporters. The 20% tariff on fresh and smoked Pacific salmon was removed on the FTA's entry-into-force. This led to non-filleted fresh or chilled salmon exports to jump 88% in the year to the end of August compared to the previous year. Meanwhile, the 10% tariff on frozen salmon will be removed by 2019.

Live, fresh and chilled oysters are similarly now duty free with the 20% tariff on frozen oysters gradually reducing to zero by 2024. Other fish lines - including live, frozen fillets, livers and roe - will also have their 10% tariffs eliminated within 10 years. In the year to date, Korea sits as New Zealand's top export destination for live fish at \$572,000 following a 90% increase from the same period a year earlier. New Zealand exporters of mussels have access to a permanent tariff rate quota (TRQ) under the FTA with zero in-quota tariff rates for the main traded line. This year's quota volume is 1,701 tonnes and it will increase around 6% each year until it reaches a 3,999 tonne cap after 15 years. The tariff of 20% will remain for product sent over and above those volumes, although other mussel tariff lines will have their tariffs removed on 1 January 2017.

New Zealand's Value Proposition

Country of origin is one of the most important pieces of information that Korean consumers look for when purchasing seafood. This is because of the perceived link between food safety and the fishing grounds where the fish was caught. Korean consumers have become even more sensitive about this aspect following the Fukushima nuclear plant incident in Japan in 2011. Fortunately, New Zealand has a good reputation in this regard with our waters seen as pristine and environmentally sound.

Korean consumers also place high value on freshness and price, although the particular emphasis placed on these two can depend on who the purchaser is. Hotels and department stores seek high quality seafood for which they can charge premium prices, whereas the food service sector generally uses cheaper food ingredients to cope with the fierce competition.

The premium quality of New Zealand seafood is also opening up opportunities for adding value to our exports. While most of our mussel exports come to Korea as frozen, half-shell mussels, around 15% is made up of products like mussel powder. Koreans are becoming increasingly aware of the health benefits of New Zealand's greenshell mussels and take extract supplements to relieve joint pain.

New Zealand Government: What We Can Do to Help

The New Zealand Embassy in Seoul has been involved in organising seafood-themed seminars and trade shows in Korea. These provided a platform for the Embassy to highlight the relevant FTA outcomes and for New Zealand seafood companies to offer tastings and presentations about products that benefit from the FTA to guests from the hotel, import, retail, restaurant, food service, manufacturing, and media sector. This has complemented wider food and beverage-themed events that New Zealand companies participate in with NZTE support at other times during the year.

The Embassy engages in business outreach, maintains strong links with seafood industry contacts in Korea, and engages with stakeholders in New Zealand on opportunities in the Korean market.



For further information on exporting to Korea, you are welcome to contact NZ Trade and Enterprise, New Zealand Embassy, Seoul, at:

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Note for readers

This report has been produced by MFAT and NZTE staff of the New Zealand Embassy in Seoul to outline market opportunities generated by the Korea-NZ Free Trade Agreement since its entry into force in December 2015. While every effort has been made to ensure accuracy, readers are encouraged to make their own enquiries before entering into commitments.