

CALIFORNIA KIWIFRUIT COMMISSION

BI- MONTHLY REPORT

SOUTH KOREA

~ October 7th, 2009

1. IMPORT, WHOLESALE AND RETAIL ATTITUDE

South Korea is expected to become a member of the global premier club for the first time in history by hosting a meeting of heads of the world's top 20 economies next year. Asia's fourth-largest economy has been on the sidelines for much of its history, but will soon emerge as a mainstream economy and play an increasingly prominent role on the global stage, according to Deputy Strategy and Finance Minister Shin Je-yoon. Upon his return from the G20 meeting in Pittsburgh, Shin said that Korea's international profile will significantly increase through hosting the summit in November 2010. The nation will become the first Asian country to hold the meeting of the world's 20 major economies, which represent 85 percent of global output. He said the G20 summit and ministerial gatherings will deal with a range of global economic issues. He also said 5 percent of the IMF quota will be taken away from advanced economies and be reallocated among developing ones, adding that G20 nations will provide poor countries with financial and other resources necessary for sustainable economic development, rather than simply handing out food and other basic necessities.

Trade Minister, H.E. Mr. Kim Jong-hoon, reiterated that negotiations for a bilateral free trade agreement between South Korea and the European Union have concluded. Minister Kim said that in a high-ranking meeting with EU members, no country expressed opposition to the bilateral trade deal. He added that the pact has only to be signed before it can be enacted. Kim said that with the deal, South Korea has become the first Asian country to conclude an FTA with the EU.

Korea and India have signed an agreement to upgrade their economic ties to a comprehensive partnership. As part of the agreement signed in Seoul, India would abolish or reduce tariffs on 85% of South Korean products exported to India within ten years of the pact's adoption. Korea would do the same on 93% of imports from India. The pact would ease Korean restrictions on Indian professionals' stay in Korea, giving more Indian information technology experts the opportunity to work in Korea. But the agreement would have limited impact on the agriculture and textile industries of the two countries, with the minimized opening of the markets for those products. India prefers to refer to free trade deals as comprehensive economic partnership agreements due to the chronic trade deficits the nation is currently experiencing and negative public sentiment toward FTAs.

In an effort to strengthen competitiveness of small and medium retailers against super supermarkets (SSM), the government is propelling a plan to integrate local retailers as a single large-size chain system. The Ministry of Knowledge Economy and the retail sectors said that the plan has been discussed to establish a large-size retail chain system where every small-and medium-scale retailers share equal ownership unlike the conventional horizontal structure of other chain store systems in a bid to bolster competitiveness of local retailers. The government assigned a 48.8 billion won (\$40 million) budget until 2014 for the plan and is ready to provide full-time support on erecting a collective distribution center in order to help small-size retailers to save up distribution expenses via a collective purchasing system. Meanwhile, regarding the regulation on SSM, the government has decided to reinforce qualifications for business registration of large-size retailers and branch stores under direct management of large-size retailers.

Import

Chuseok which is one of the nation's biggest holidays was September 3. Accordingly, many importers decreased the import volume of most imported fruit items on that occasion because it is the strong market for local fruit sales for paraphernalia for sacrifice and gift items.

However, most importers plan to increase the handling volume of imported fruits again after the Chuseok because the sales volume of most local fruits is predicted to be decreased. Actually the sales amount of local fruits such as grapes and pear at most retail stores reduced and one of imported fruits such as California grapes quite increased after the Chuseok.

Many importers bring in New Zealand and Chilean kiwifruit other than California kiwifruit currently.

The import of New Zealand kiwifruit is kept steadily by several major importers. However the import volume is decreased from July about 30 percent because the crop was in bad condition so the shipping volume was also dropped off. Most importers told that they would reduce the import volume of New Zealand kiwifruit largely and some importers finished importing kiwifruit and sold their inventories which they kept for a while after September.

Currently New Zealand green kiwifruit is only imported and gold kiwifruit is mostly stored inventories. Overall quality of kiwifruit is still quite good and sugar content is also pretty high, but the size was getting smaller and many of berries have dried skin and water taste, also there are often found soften and decayed berries.

Some importers started to import Chilean kiwifruit in small quantities from September and sold them through major retailers. However the quality of Chilean kiwifruit is not very good yet due to early harvest so the berry size is much small and it is quite strong, besides it has quite sour taste.

Local gold kiwifruit is shipped and the shipping volume is getting increased from the end of August however the overall quality is not so good, because it has quite low sugar content and small sized berries. Accordingly, the sales volume is not quite big because many consumers recognize that New Zealand gold kiwifruit has higher sugar content and better quality than local one.

Wholesale

Most wholesalers decreased their purchasing volume of most imported fruits dramatically and some wholesalers put off purchasing them for quite a time due to the Chuseok season. Accordingly, the overall buying volume in the wholesale market was reduced largely however many wholesalers increased purchasing volume of imported fruits again after the Chuseok.

The purchasing volume of New Zealand kiwifruit is quite large and mostly green kiwifruit. The gold kiwifruit which is purchased by wholesalers and distributed in the wholesale market is mostly imported before and kept, so there were found soften and decayed ones easily. According to the deterioration of quality, many wholesalers plan to finish the purchasing the gold kiwifruit soon.

Chilean kiwifruit is sold in small quantities in wholesale market, but the wholesale price is quite expensive and the quality is not good for its price. Therefore some wholesalers are reluctant to purchase Chilean kiwifruit because of the low sales amount.

As the shipping volume of local gold kiwifruit increased, the purchasing volume is also increased recently. Several wholesalers steadily buy local gold kiwifruit in bulk because it is the only alternative items of New Zealand gold kiwifruit even the price is quite expensive.

Several wholesalers are interested in purchasing California kiwifruit and they want to buy it as soon as possible because they consider that the quality of California kiwifruit is better than other kiwifruits even the price is quite more expensive than others.

Retail

All retail stores concentrated their efforts on selling gift set with food product such as local fruit, meat and fish, etc which are popular as gift and sacrificial service for the Chuseok holiday since the middle of September. Most retailers displayed gift sets through their main portion widely with staff to promote and present various price levels. Therefore, sales volume of gift set was increased dramatically.

California kiwifruit is not sold in the retail stores yet.

Most retail stores reduced display portion of most imported fruits significantly and a number of them delayed the sale of some imported fruit items which had been showed poor sales. The display portion of New Zealand kiwifruit is also decreased by almost 50 percent compared to the season, accordingly the sales volume is also quite reduced recently.

Chilean kiwifruit is sold through most retail stores, however the sales volume is quite low because the quality is not so good and the size is quite small. Also, many consumers still prefer New Zealand kiwifruit to Chilean one. Accordingly, most retailers sold Chilean kiwifruit 5~9 pieces in the plastic pack or 20~24 pieces in a box package with low price.

Many retail stores sell local gold kiwifruit from end of August however the sales amount is not much increased because the sales price is quite expensive, about W700~1,500 per piece, moreover many consumers recognize that local kiwifruit has very sour taste so they are reluctant to buy it.

2. KIWIFRUIT COMPETITION AND PRICE DATA

ORIGIN	WHOLESALE PRICE	RETAIL PRICE	CONDITION AT RETAIL
California	N/A	N/A	N/A
Local	Gold kiwifruit \$6.86 ~ 8.57/kg	Gold kiwifruit \$0.60 ~ 1.29 /piece	Small ~ Medium in size Sweet with watery taste
New Zealand	Green kiwifruit \$3.86 ~ 4.71/kg Gold kiwifruit \$5.14 ~ 5.57/kg	Green kiwifruit \$0.39 ~ 0.69 /piece	Medium ~ Large in size High in sugar with watery taste Soft skin
Chile	Green kiwifruit \$3.43 ~ 4.29/kg	Green kiwifruit \$0.34 ~ 0.69 / piece	Medium in size Outside is strong Slightly sour taste

3. FRUIT RETAIL PRICE

Exchange Rate US\$ = 1,166.50

FRUIT	ORIGIN	UNIT	PRICE
Banana	Philippine	100g	\$0.21 ~ \$0.43
Grape	Local / USA	100g	\$0.34 ~ \$1.29
Apple	Local	Piece	\$0.43 ~ \$4.29
Pineapple	Philippine	Piece	\$3.41 ~ \$5.14
Tangerine	Local	100g	\$0.60 ~ \$1.03
Persimmon	Local	Piece	\$0.43 ~ \$0.86
Melon	Local	Piece	\$4.70 ~ \$17.15
Tomato	Local	100g	\$0.30 ~ \$0.56
Lemon	USA	Piece	\$0.51 ~ \$1.71
Orange	Chile	Piece	\$0.58 ~ \$1.29
Grapefruit	USA	Piece	\$1.70 ~ \$2.57
Pear	Local	Piece	\$0.69 ~ \$6.86

4. ACTIVITY TO BE CONDUCTED

Contact importers to discuss import volume of New Zealand and Chilean kiwifruit, sales amount and forecasted shipping volume of California kiwifruit.

Contact retailers to discuss the best selling items, the average price and the preference of consumers, any specific changes of the number of visitors.